HALBERD CORPORATION
AND SUBSIDIARY
(a development stage company)

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HALBERD CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED BALANCE SHEET

ASSETS

	April 30, 2012	July 31, 2011
Cash and cash equivalents	$ 135	$ 641
Accounts receivable	147,969	23,398
Inventory	92,998	92,998
Prepaid insurance	13,588	
Property and equipment, net	1,638,042	1,234
Total assets	**1,892,732**	**118,271**

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	April 30, 2012	July 31, 2011
Liabilities		
Accounts payable	$ 45,096	$ 44,796
Accrued expenses	101,588	57,540
Note payable	838,506	
Convertible notes payable	285,475	285,475
Related party	175,200	159,935
Current portion long-term debt	10,596	
	1,456,461	547,746
Long-term debt	794,227	
Total liabilities	**2,250,688**	**547,746**
Stockholders' equity (deficit)		
Common stock - $0.001 par value; 120,000,000 shares authorized, 26,368,000 and 26,368,000 shares issued and outstanding at April 30, 2012 and July 31, 2011, respectively	6,366	6,366
Additional paid-in-capital	682,007	682,007
Deficit accumulated during the development stage	(1,046,329)	(1,117,848)
Total stockholders' equity (deficit)	**(357,956)**	**(429,475)**
Total liabilities and stockholders' equity (deficit)	$ **1,892,732**	$ **118,271**

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended April 30		Nine Months Ended April 30		Cumulative Period From August 2, 2007 (date of inception) to April 30
	2012	2011	2012	2011	2012
Net sales	$ 137,794	$ 79	$ 244,758	$ 54,079	$ 373,167
Cost of sales			34		10,029
Gross margin	**137,794**	**79**	**244,724**	**54,079**	**363,138**
Operating expenses	43,181	20,999	104,755	30,854	1,605,875
Operating loss	**94,613**	**(20,920)**	**139,969**	**23,225**	**(1,242,737)**
Other Income (expense)					
Debt forgiveness		195,860		223,262	223,262
Other income	122		659		659
Loss on asset sale		(3,600)		(3,600)	(3,600)
Interest income	-	-		-	1,253
Interest expense	(29,897)	(8,684)	(69,109)	(62,664)	(294,149)
Other expense, net	**(29,775)**	**183,576**	**(68,450)**	**156,998**	**(72,575)**
Loss before income tax benefit	64,838	162,656	71,519	180,223	(1,315,312)
Sellmybusiness.com, Inc spin out	-	-	-	-	268,983
Net Income (Loss)	**$ 64,838**	**$ 162,656**	**$ 71,519**	**$ 180,223**	**$ (1,046,329)**
Basic and diluted loss per common share	*	*	*	*	*
Weighted average number of common shares outstanding, basic and fully diluted	26,368,000	26,368,000	26,368,000	26,368,000	24,388,646

* less than $0.01

HALBERD CORPORATION AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Shares		Common Stock Amount		Additional Paid-in Capital		Deficit Accumulated During the Development Stage		Total Stocholders' Deficit
Balances - August 1, 2010	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,567,641)**	$	(879,268)
Sellmybusiness.com, Inc spin out	-		-		-		268,983		268,983
Net loss	-		-		-		180,223		180,223
Balances - April 30, 2011	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,118,435)**	$	**(430,062)**

	Common Stock Shares		Common Stock Amount		Additional Paid-in Capital		Deficit Accumulated During the Development Stage		Total Stocholders' Deficit
Balances - August 1, 2011	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,117,848)**	$	**(429,475)**
	-								
Net Income	-		-		-		71,519		71,519
Balances - April 30, 2012	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,046,329)**	$	**(357,956)**

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended April 30 2012	Nine Months Ended April 30 2011	Cumulative Period From August 2, 2007 (date of inception) to April 30 2012
Cash flows provided to operating activities:			
Net Income (loss)	$ 71,519	$ 180,223	$ (1,046,329)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation, amortization and loss on disposition	93	3,600	5,514
Equity based expenses, net of filing costs			307,373
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(109,392)		(132,790)
Inventory		(92,998)	(92,998)
Prepaid expenses			
Accounts payable and accrued expenses	22,009	(63,966)	124,345
Net cash provided by (used in) operating activities	(15,771)	26,859	(834,885)
Cash flows from investing activities:			
Trademark costs		-	
Purchase of property and equipment		-	(6,655)
Net cash used in investing activities	-	-	(6,655)
Cash flows provided by financing activities:			
Repayment of long-term debt			
Issuance of related party notes payable	15,265	(26,861)	175,200
Issuance of convertible notes payable	-		585,475
Issuance of private placement, net of offering cost of $12,500	-	-	81,000
Net cash provided by financing activities	15,265	(26,861)	841,675
Net increase in cash and cash equivalents	(506)	(2)	135
Cash and cash equivilant, beginning of period	641	2	-
Cash and cash equivalent, end of period	$ 135	$ -	$ 135
Supplemental disclosure of noncash financing activities:			
Issuance of shares of common stock in exchange for consulting services	$	$	$ 330,500
Issuance of shares of common stock in exchange for Board services	$ -	$ -	$ 17,500
Conversion of notes payable and accrued interest	$ -	$ -	$ 323,000
Acquisition of commercial building	$ 869,893	$ -	$ 869,893
Direct filing costs associated with registration of common shares	$ -	$ -	$ 76,127
Interest paid	$	$	$ 8,849
Taxes paid	$ -	$ -	$ -

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY

(a development stage company)

Concord, North Carolina

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended April 30, 2012 and April 30, 2011 and August 2, 2007 (date of inception) to April 30, 2012

HALBERD CORPORATION AND SUBSIDIARY
(a development stage company)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ***Halberd Corporation*** and its wholly owned subsidiary ***Sellmybusinessnow.com, Inc.*** through January 31, 2011. All intercompany balances and transactions have been eliminated in consolidation.

Organization, Nature of Business (including development stage), and Basis of Presentation

Sellmybusinessnow.com, Inc., is a development stage company that was incorporated under the laws of the state of Michigan on August 2, 2007. The Company began operating under the name "***Sellmybusiness.com®***" on December 3, 2007. To date, the Company's activities have been limited to raising capital, obtaining financing, constructing its website and administrative functions. ***Sellmybusiness.com®*** intends to provide a single web portal for interested parties to find, buy and sell businesses, real estate and equipment and all the related services needed to support the transaction, including financing, incorporation, professional help and additional business resources. ***Sellmybusiness.com***® intends to support businesses of all sizes and types, including start-ups, well-established companies, home-based businesses, closely-held companies, multinational public corporations and franchises. ***Sellmybusiness.com®'s*** real estate listing service will assist business people to buy, sell, lease or sublease commercial land and property. ***Sellmybusiness.com®'s*** equipment listing service will provide a portal to buy, sell or lease excess inventory, capital equipment, raw materials, vehicles, aircraft, ships and rail equipment.

On January 26, 2009, ***Halberd Corporation***, a Nevada corporation, was formed by ***Sellmybusinessnow.com, Inc.'s*** founders in conjunction with a legal reorganization of the Company. ***Halberd Corporation*** is structured to act as the parent company of ***Sellmybusinessnow.com, Inc.*** As part of this action, and effective on January 28, 2009, all of the issued and outstanding shares of ***Sellmybusinessnow.com, Inc.*** common stock were exchanged on a 2,000-to-1 basis for ***Halberd Corporation*** common stock. As a result, the accompanying consolidated financial statements reflect this reorganization and are presented on a consolidated basis and are labeled as those of the parent company. ***Halberd Corporation and Subsidiary*** are collectively referred to as the "Company".

Effective February 1, 2011, Halberd Corporation entered into an agreement to spin off ***Sellmbusinessnow.com, Inc.*** in exchange for amounts due its largest related party debt holder.

Also on February 1, 2011, the Company purchased all the assets of Precision Aviation, Inc. a privately held Nevada Corporation. This purchase is a change in the direction of Halberd Corporation to a manufacturer of both short and long-range Unmanned Aircraft (UAV's). Halberd's UAV's are intended for both private and governmental use in such diverse industries as military, oil and gas, municipal, meteorological, forestry, agriculture and coastal/border surveillance.

Halberd Corporation acquired the domain SPYDRONES.COM to start developing a stronger brand recognition for Halberd Corporation's drones for retail markets comprised of but not limited to gaming, news reporting agencies, military, agriculture and cattle ranching both domestic and abroad. The Company will use the newly acquired domain to offer all levels of the company's drones as well as launch new platforms currently being developed for release in the near future.

Effective August 1, 2011, the Company purchased the commercial building and related assets and liabilities of APM of the Carolinas, LLC. The acquisition will bring the company the proper facilities it needs to manufacture its short and long-range Unmanned Aircrafts.

The Company has adopted a fiscal year end of July 31.

Basis of Accounting

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the nine months ended April 30, 2012 are not necessarily indicative of the results that may be expected for the year ended July 31, 2012.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company has determined that it does not have any separately reportable business segments at April 30, 2012.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly liquid investments purchased with original maturities of six months or less to be cash equivalents.

Revenue Recognition

The Company utilizes the guidance in Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, to recognize revenue. Under SAB No. 104, revenue is recognized only when persuasive evidence of an agreement exists, delivery of the service has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Payments received in advance of services being rendered are recorded as deferred revenue and recognized on a straight-line basis over the service period.

As the Company is in the development stage, it has generated limited revenues during the period ended April 30, 2012. Management believes the Company will principally derive its future revenue from selling unmanned drone airplanes and related services.

Property and Equipment

Management periodically reviews these assets to determine whether carrying values have been impaired.

Depreciation and Amortization

Depreciation on equipment is computed using the straight-line method over the estimated useful lives of the related assets which range from three to ten years.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Deferred income taxes relate principally to the Company's net operating loss carry forward.

Concentration Risks

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and when they exist, trade accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. The Company's revenue and accounts receivable are primarily derived from sales of products and are typically settled within thirty business days.

Fair Value of Financial Instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Net Income (loss) Per Share

Net income (loss) per share is calculated under the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings Per Share.* "Diluted" reflects the potential dilution of all common stock equivalents except in cases where the effect would be anti-dilutive. Common stock equivalents of 4,508,000 were excluded from net loss per diluted share for all prior periods presented as this effect would have been anti-dilutive. These common stock equivalents were converted to common stock during January 2009 and as such are reflected in weighted average common shares outstanding for the periods ended April 30, 2012.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at:

	April 30, 2012	July 31, 2011
Shop Equipment	$ 1,255	$ 1,255

Commercial Building and Land	1,695,784	
Total	1,697,039	1,255
Less accumulated depreciation	58,997	21
Property and equipment, net	**$ 1,638,042**	**$ 1,234**

3. RELATED PARTY TRANSACTIONS (including debt and leases)

The Company leased its Trademarks to an entity controlled by its majority stockholder for $9,000 a month starting April 20, 2010. Revenue earned under this agreement amounted to $0 and $54,000 for the periods ended April 30, 2012 and July 31, 2011, respectively.

Stock holders loaned money to the Company to cover operating expenses. Total debt as of April 30, 2012 and July 31, 2011 is $11,568.

During the quarter ended January 31, 2011, a related party paid $19,025 of expenses for the benefit of Halberd Corporation. This advance does not bear interest.

A related party advances money to the Company as needed. These advances do not bear interest. The balance as of April 30, 2012 and July 31, 2011 is $144,292 and $129,027, respectively.

On August 1, 2011, a related party contributed a commercial building and its related operating assets and liabilities to the Company for a non-interest bearing loan in the amount of $869,893. The balance as of January 31, 2012 is $838,506.

4. CONVERTIBLE DEBT

On January 1, 2008, the Company issued convertible promissory notes totaling $300,000 to eight stockholders, who own a combined 15% of the Company’s common stock. The notes bore interest at 10% per annum and were due on the earlier of the Company registering any of its securities under the Securities Act of 1933, or eighteen months after the date of the note (April through July 2009). In addition, each of the note holders could convert the entire outstanding amount of their note including accrued interest into shares of the Company's common stock at any time up to the maturity date of the respective note.

During January 2009, all of the convertible debt was converted to equity, resulting in the issuance of 4,508,000 shares of the Company's common stock. Related accrued interest of $23,000 on these loans was also converted to equity, resulting in the issuance of 92,000 shares of the Company's common stock. All shares in this note have been adjusted to reflect the exchange discussed in Note 1.

During October 2009, the Company issued convertible promissory notes totaling $115,000 to two shareholders. The notes bear interest at 12% and are due after the 12-month anniversary date or anytime after the 12-month anniversary date but not more than 36-months after the note maturity date. The notes and any unpaid accrued interest are convertible into shares of common stock at the average closing bid price of the stock over the preceding 10 trading days less a 25% discount. The notes were not converted as of April 30, 2012.

During January 2010, the Company issued convertible promissory notes totaling $170,475 to two shareholders. The notes bear interest at 12% and are due after the 12-month anniversary date or anytime after the 12-month anniversary date but not more than 36-months after the note maturity date. The notes and any unpaid accrued interest are convertible into shares of common stock at the average closing bid price of the stock over the preceding 10 trading days less a 25% discount. The notes were not converted as of April 30, 2012.

See Subsequent Event Note for more information.

5. RELATED PARTY

Stock holders loaned money to the Company to cover operating expenses. Total debt as of April 30, 2012 and July 31, 2011 is $11,568.

During the quarter ended January 31, 2011, a related party paid $19,025 of expenses for the benefit of Halberd Corporation. This advance does not bear interest.

A related party advances money to the Company as needed. These advances do not bear interest. The balance as of April 30, 2012 and July 31, 2011 is $144,292 and $129,027, respectively.

The balance of the related party payable consists of accrued expenses and accounts payable due to various shareholders.

6. NOTE PAYABLE

On August 1, 2011, a related party contributed a commercial building and its related operating assets and liabilities to the Company for a non-interest bearing loan in the amount of $869,893. The balance as of January 31, 2012 is $838,506.

7. CAPITAL STOCK

The Company's initial common shares issued to its two founders and eight initial investors were issued for no consideration and are thus carried at a value of zero in the accompanying balance sheet as no services were performed or were required to be performed in order for any of the original investors to obtain their shares. Management determined the fair value of the initial shares to be zero given the start-up nature of the business which included a lack of operational history, lack of share liquidity and lack of corporate financing for operations at the time of issuance.

The Company has authorized 10,000,000 shares of preferred stock at a par value of $0.001. No preferred shares are issued or outstanding as of January 31, 2009. Any preferences, rights, voting powers, restrictions, dividend limitations, qualifications, and terms and conditions of redemption shall be set forth and adopted by a board of directors' resolution prior to the issuance of any series of preferred stock.

During January 2009, the Company issued a private placement memorandum ("PPM") to increase the number of shareholders to a minimum of 35. The PPM resulted in the Company issuing 374,000 shares of common stock to 32 additional stockholders in exchange for cash consideration of $93,500. The offering costs of $12,500 were offset against the proceeds. In addition, during January 2009 seven vendors were owed a total of $20,500 as of December 31, 2008 were issued 82,000 shares of common stock in settlement of amounts owed to them.

During March 2009, the Company issued 1,000,000 shares of common stock to a consultant (and related party) for organizational services rendered. The shares were valued at $250,000 and the related expense was recognized as an operating expense during the quarter ended April 30, 2009

As detailed in our S-1/A registration statement filed April 14, 2009, 656,000 common shares held by 48 existing shareholders were registered for resale. No additional capital was raised as a result of this registration.

During April 2009 the Company entered into an equity line of credit agreement which allows the Company to sell up to $25,000,000 of the Company's common stock over the course of 48 months at 93% of the market price. As of April 30, 2011 no such sales have been entered into under the agreement.

During July 2009 the Company issued 70,000 shares of the Company's common stock to its seven member Board of Directors. The shares were valued at $17,500 and the related expense was recognized as an operating expense during the quarter ended July 31, 2009.

During August 2009 the Company issued 240,000 shares of the Company's common stock to a consultant. The shares were valued at $60,000 and the related expense was recognized as an operating expense during the quarter ended October 31, 2009.

8. INCOME TAXES

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. The Company continually reviews the reliability of deferred tax assets and recognizes these benefits only as reassessment indicates that it is more likely than not that such tax benefits will be realized.

As of April 30, 2012, the Company has a net operating loss carry forward for federal income tax purposes of approximately $0, which expires through 2032, available to reduce federal taxable income, if any, of future periods.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets, liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax liabilities and assets are summarized as follows as of April 30, 2012 and July 31, 2011:

	April 30, 2012	July 31, 2011
Deferred tax assets:		
Net operating loss carry forward	$ 604,257	$ 676,120
Total deferred tax assets	604,257	676,120
Expected tax rate	34%	34%

Gross deferred income tax assets	**$ 205,447**	**$ 229,881**
Less valuation allowance	(205,447)	(229,881)
Net deferred income tax asset	**$ -**	**$**

At April 30, 2012, the Company did not recognize any current or deferred federal or state income tax benefit because it has sustained operating losses since inception. The Company has provided a full valuation allowance on the deferred tax asset, consisting primarily of net operating loss carry forwards, because of uncertainty regarding its reliability.

9. OPERATING LEASE

The Company rents a 14,000sq ft commercial warehouse space from a related party to house operations. Monthly rent expense is $1,049. This activity is eliminated in consolidation. The facility is rented for a two year period that expires on September 30, 2012. The company does have an option to renew at the end of the lease.

The Company utilizes the services of a third party that houses and maintains its web site server. Such services are provided under a month to month lease for $142 per month.

10. SUBSEQUENT EVENTS

The company in the process of calling some of the convertible notes. None of the debt related to the convertible notes has been removed from the books, and no shares have been issued.

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