SUSPECT DETECTION SYSTEMS INC.

150 West 56 Street
Suite 4005
New York, NY 10019
(212) 977-4126

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Issuers' Continuing Disclosure Obligations

Quarterly Report for the period ended September 30, 2012

Item 1. **Exact name of the issuer and address.**

The name of the company is Suspect Detection Systems Inc. (the "Company"). The Company was incorporated under the laws of the State of Delaware on October 5, 2006 under the name "PCMT Corp."

The address of the issuer's principal executive offices.

150 West 56 Street
Suite 4005
New York, NY 10019
(212) 977-4126

Item 2 **Shares Outstanding**

The number of shares or total amount of the securities outstanding for each class of securities authorized.

Common Stock

As of September 30, 2012:

(1) The Company was authorized to issue 250,000,000 shares of common stock with par value $.0001 per share.
(2) 90,830,892 shares were issued and outstanding as of September 30, 2012
(3) 52,365,644 shares were freely tradable.
(4) Unknown number of beneficial owners.
(5) 194 shareholders of record.

Item 3 **Interim Financial Statements**

1. Consolidated Balance Sheet as of September 30, 2012 and December 31, 2011 (unaudited)
2. Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011 (unaudited)
3. Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011(unaudited)
4. Notes to Unaudited Financial Statements

SUSPECT DETECTION SYSTEMS INC.

CONSOLIDATED BALANCE SHEETS

U.S. dollars

ASSETS	September 30, 2012 Unaudited	December 31, 2011 Unaudited
Current Assets:		
Cash and cash equivalents	$ 199,349	$ 475,945
Restricted cash	-	14,595
Accounts receivable	35,692	21,731
Inventory	56,261	66,294
Prepaid expenses and other receivables	27,195	20,912
Total current assets	318,497	599,477
Property and Equipment:		
Computer and other equipment	67,856	60,766
Less - Accumulated depreciation	(46,350)	(37,729)
Property and equipment, net	21,506	23,037
Other Assets:		
Severance pay fund	31,493	32,244
Long term deposit	-	1,293
Goodwill	-	1,333,214
Total other assets	31,493	1,366,751
Total Assets	$371,497	$ 1,989,265

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

SUSPECT DETECTION SYSTEMS INC.

CONSOLIDATED BALANCE SHEETS

U.S. dollars

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**September 30, 2012 Unaudited**	**December 31, 2011 Unaudited**
Current Liabilities:		
Accounts payable - Trade	$ 20,158	$ 12,198
Accrued liabilities	14,269	64,770
Advances from customers	56,288	19,000
Deferred revenues	14,705	40,825
Due to related parties	1,061,697	690,468
Total current liabilities	1,167,117	827,261
Long-term liabilities:		
Convertible note	501,756	466,273
Accrued severance pay	31,493	32,243
Total long-term liabilities	533,249	498,516
Commitments and Contingencies		
Stockholders' Equity (Deficit):		
Common stock, par value $0.0001 per share, 250,000,000 shares authorized; 90,830,892 and 76,555,493 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively.	9,083	7,918
Additional paid-in capital	5,914,022	5,456,836
Accumulated (deficit)	(7,360,014)	(4,948,203)
	(1,436,909)	516,551
Less - Noncontrolling interest	108,039	146,937
Total Stockholders' Equity (Deficit)	(1,328,870)	663,488
Total Liabilities and Stockholders' Equity	$ 371,496	$ 1,989,265

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements.

SUSPECT DETECTION SYSTEMS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

U.S. dollars

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues, net	$ 62,527	$ 174,341	$ 158,587	$ 1,912,620
Cost of Goods Sold	(9,132)	(6,944)	(14,713)	(150,092)
Gross Profit	53,395	167,397	143,874	1,762,528
Operating Expenses:				
Research and development	59,951	112,809	180,963	307,920
Selling, general and administrative	320,769	684,936	1,147,688	2,984,329
Impairment of goodwill			1,333,214	
Total operating expenses	380,720	797,745	2,661,865	3,292,249
Loss from Operations	(327,325)	(630,348)	(2,517,991)	(1,529,721)
Interest (expenses), net	(16,980)	(25,964)	(36,907)	(16,058)
Net (loss)	(344,305)	(656,312)	(2,554,898)	(1,545,779)
Net loss (income) Attributable to Noncontrolling Interest	52,322	(35,431)	143,086	212,181
Net (loss) attributable to Suspect Detection Systems Inc.	$(291,983)	$(620,881)	$(2,411,812)	$(1,757,961)
(Loss) Per Common Share:				
(Loss) per common share - Basic and Diluted	$ (0.00)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted Average Number of Common Shares Outstanding	87,619,781	76,097,293	87,619,781	76,097,293

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements.

SUSPECT DETECTION SYSTEMS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

U.S. dollars

	Common stock		Additional Paid-in	Common Stock	Accumulated	Noncontroling Interest			
	Shares	**Amount**	**Capital**	**Subscriptions**	**(Deficit)**	**Equity**	**Earnings**	**Total**	**Total**
Balance as of December 31, 2010	76,555,493	$ 7,655	$ 3,399,961	$ -	$ (2,785,098)	$ 394,464	$ (318,243)	$ 76,221	$ 698,739
Common stock issued for services	2,625,399	263	669,899	-	-	-	-	-	670,162
Acquisition on non-controlling interest	-	-	(128,228)	-	-	(113,175)	-	(113,175)	(241,403)
Stock options	-	-	1,515,203	-	-	-	-	-	1,515,203
Net (Loss) for the period	-	-	-		(2,163,104)	-	183,891	183,891	(1,979,213)
Balance as of December 31, 2011	79,180,892	$ 7,918	$ 5,456,836	$ -	$ (4,948,202)	$ 281,289	$ (134,352)	$ 146,937	$ 663,489

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

SUSPECT DETECTION SYSTEMS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

U.S. dollars

	Common stock		Additional Paid-in	Common Stock	Accumulated	Noncontroling Interest			
	Shares	Amount	Capital	Subscriptions	(Deficit)	Equity	Earnings	Total	Total
Balance as of December 31, 2011	79,180,892	$ 7,918	$ 5,456,836	$ -	$ (4,948,202)	$ 281,289	$ (134,352)	$ 146,937	$ 663,489
Common stock issued for services	1,450,000	(*) 390	13,819	-	-	-	-	-	14,209
Common stock issued for cash	7,750,000	(*) 775	76,725						77,050
Acquisition on non-controlling interest, net						104,188		104,188	104,188
Stock options	-	-	366,642	-	-	-	-	-	366,642
Net (Loss) for the period	-	-	-		(2,411,812)	-	(143,086)	(143,086)	(2,554,898)
Balance as of September 30, 2012	90,830,892	$ 9,083	$ 5,914,022	$ -	$ (7,360,014)	$ 385,477	$ (277,438)	$ 108,039	$ (1,328,870)

(*) Allocated

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

SUSPECT DETECTION SYSTEMS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

U.S. dollars

	Common stock		Additional Paid-in	Common Stock	Accumulated	Noncontroling Interest			
	Shares	Amount	Capital	Subscriptions	(Deficit)	Equity	Earnings	Total	Total
Balance as of July 1, 2012	82,630,892	$ 8,263	$ 5,768,376	$ -	$ (7,068,031)	$ 385,477	$ (225,116)	$ 160,361	$ (1.131,037)
Common stock issued for services	2,450,000	245	2,690	-	-	-	-	-	2,935
Common stock issued for cash	5,750,000	575	56,475	-	-	-	-	-	57,050
Stock options	-	-	86,487	-	-	-	-	-	86,487
Net (Loss) for the period	-	-	-		(291,983)	-	(52,322)	(52,322)	(344,305)
Balance as of September 30, 2012	90,830,892	$ 9,083	$ 5,914,022	$ -	$ (7,360,014)	$ 385,477	$ (277,438)	$ 108,039	$ (1,328,870)

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

SUSPECT DETECTION SYSTEMS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

U.S. dollars

	Common stock		Additional Paid-in	Common Stock	Accumulated	Noncontroling Interest			
	Shares	Amount	Capital	Subscriptions	(Deficit)	Equity	Earnings	Total	Total
Balance as of December 31, 2010	76,555,493	$ 7,655	$ 3,399,961	$ -	$ (2,785,098)	$ 394,464	$ (318,243)	$ 76,221	$ 698,739
Common stock issued for services	2,375,399	238	564,384	-	-	-	-	-	564,622
Acquisition on non-controlling interest			(66,053)			(8,987)		(8,987)	(75,040)
Stock options	-	-	896,797	-	-	-	-	-	896,797
Net (Loss) for the period	-	-	-		(1,168,394)	-	247,612	247,612	(920,782)
Balance as of September 30, 2011	78,930,892	$ 7,893	$ 4,795,089	$ -	$ (3,953,492)	$ 385,477	$ (70,631)	$ 314,846	$ 1,164,336

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

SUSPECT DETECTION SYSTEMS INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

U.S. dollars

	Common stock		Additional Paid-in	Common Stock	Accumulated	Noncontroling Interest			
	Shares	Amount	Capital	Subscriptions	(Deficit)	Equity	Earnings	Total	Total
Balance as of July 1, 2011	76,555,493	$ 7,655	$ 3,448,726	$ -	$ (2,472,628)	$ 394,464	$ (21,430)	$ 373,034	$ 1,356,787
Common stock issued for services	2,375,399	238	558,884	-	-	-	-	-	559,122
Acquisition on non-controlling interest			(66,053)			(8,987)		(8,987)	(75,040)
Stock options	-	-	853,532	-	-	-	-	-	853,532
Net (Loss) for the period	-	-	-		(1,480,864	-	(49,201)	(49,201)	(1,530,065)
Balance as of September 30, 2011	78,930,892	$ 7,893	$ 4,795,089	$ -	$ (3,953,492)	$ 385,477	$ (70,631)	$ 314,846	$ 1,164,336

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

SUSPECT DETECTION SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

U.S. dollars

	For the nine months ended September 30, 2012	2011
Operating Activities:		
Net (loss)	$ (2,554,898)	$ (1,545,779)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Common stock compensation	14,209	491,699
Stock options compensation	366,642	1,361,184
Interest due to the issuance of convertible note	35,483	20,074
Impairment of Goodwill	1,333,214	
Depreciation	8,621	9,191
Changes in Assets and Liabilities-		
Accounts receivable	-	
Inventory	10,033	119,591
Prepaid expenses and other receivables	(6,283)	232,733
Accounts payable - Trade	7,960	(25,711)
Accrued liabilities	(50,498)	(150,927)
Advances from customers	23,327	(1,370,576)
Deferred revenues	(26,120)	(12,520)
Due to related parties	371,229	273,426
Accrued severance pay	-	1,124
Net Cash (Used in) Operating Activities	(467,081)	(596,491)
Investing Activities:		
Decrease (increase) in restricted cash	14.595	100,493
Additional purchase of 10% of subsidiary		(75,040)
Advance payment on account of subsidiary's shares		(69,445)
Refund of advance payment over shares	104,188	
Long term deposit	1,293	1,438
Purchases of Property and Equipment	(7,090)	(4,210)
Net Cash Provided by Investing Activities	112,986	(46,764)
Financing Activities:		
Issuance of convertible note	-	435,000
Issuance of common stock for cash	77,500	-
Net Cash Provided by Financing Activities	77,500	435,000
Net (decrease) in Cash	(276,595)	(208,255)
Cash and Cash Equivalents - Beginning of Period	475,945	803,443
Cash and Cash Equivalents - End of Period	$ 199,350	$ 595,188
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

The accompanying notes to the consolidated financial statements are an integral part of these consolidated statements.

Suspect Detection Systems Inc.
Notes to Unaudited Financial Statements
September 30, 2012

Note 1: General

Suspect Detection Systems Inc. ("SDS Inc." or the "Company") is a Delaware corporation that conducts its operations through its 68.6 percent owned subsidiary, Suspect Detection Systems Ltd., an Israeli Corporation ("SDS - Israel"). The Company was incorporated under the laws of the State of Delaware on October 5, 2006, as PCMT Corporation. On December 24, 2008, the Company changed its name from PCMT Corporation to Suspect Detection Systems Inc.

The accompanying consolidated financial statements were prepared from the accounts of the Company and its subsidiary under the accrual basis of accounting.

The Company operates through its Israeli subsidiary, Suspect Detection Systems Ltd, ("SDS – Israel"). SDS Israel was incorporated in 2004 under the Companies Law, of the State of Israel. SDS – Israel specializes in the development and application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector. SDS – Israel completed the development of its "Cognito" line of products in 2007, which are based on proprietary software and use commercially available hardware to identify individuals that pose security threats, whether or not they are carrying a weapon on their person or in their belongings. Cognito systems are comprised of a front-end test station and a back office, where multiple-station and multiple-site data is stored, managed, and distributed. The front-end test station serves as the point of contact with the individual being examined. The back-office is designed to manage and control the test stations at a given site and it stores all test histories and traveler profiles and interfaces with external systems and databases. A provisional patent application has been issued for the Cognito line of products in the United States. SDS – Israel is also engaged in the development of behavior based screening technologies for the checkpoint screening market.

On January 20, 2009, SDS Inc. completed a business combination for the purchase of 51 percent of the issued and outstanding shares of SDS – Israel for consideration of $1,100,000. The Company incurred an additional $35,000 in acquisition costs related to legal and accounting fees. The business combination was accounted for by the purchase method and accordingly, the purchase price has been allocated to the estimated fair values of the respective assets acquired and liabilities assumed of SDS – Israel, with the remaining representing goodwill in the amount of $1,333,214. The results of operations of SDS – Israel have been included in the consolidated financial statements of the Company commencing January 20, 2009.
As a result primarily of the decrease in the Company's market in the latter part of 2011, and the global economic downturn that negatively affects the capital expenditure in the security industry in which the company operates, the Company conducted in June 2012 a goodwill impairment test on the goodwill acquired in this transaction. The Company concluded that all the goodwill acquired had been impaired and therefore, in the second quarter of 2012, it recorded, an impairment charge of $1,333,214 with respect to the goodwill of SDS.

In July 9, 2009, SDS Inc. entered into an Exchange Agreement (the "Exchange Agreement") with the Northern Group LP ("NG"), pursuant to which NG exchanged 170,295 ordinary shares of SDS – Israel for 3,199,891 of SDS Inc's common stock. The 170,295 shares of SDS- Israel represented 7 percent of the outstanding shares of SDS-Israel and increased SDS Inc.'s ownership interest in SDS- Israel to 58 percent. The acquisition of the additional equity interest was accounted for by the equity method. The increased percentage of ownership of SDS – Israel, amounting to 58 percent, has been applied to the operations of this subsidiary since July 9, 2009.

On June 16, 2011, SDS Inc. entered into a share purchase agreement with Isahyau (Sigi) Horowitz (the "Seller"), pursuant to which the Company will purchase from the Seller 250,000 ordinary shares of SDS Israel (which represents 10.6% of the outstanding shares of common stock of SDS Israel) in consideration of $75,000.

On June 27, 2011, the Company entered into a Share Purchase Agreement with Shabtai Shoval ("Shoval"), a shareholder of SDS, Ltd. and its chief executive officer. Pursuant to the Agreement, Shoval will sell and transfer, under certain conditions as described herewith, to the Company all shares of SDS Israel held by him on the date of the Agreement, namely, NIS 0.01 par value 750,000 ordinary shares, which constitute 31.4% of SDS Israel outstanding shares as of the date of the agreement. In consideration for the shares, the Company will pay Shoval $1,174,500 ("Purchase Price") which shall be paid in 35 installments. Shares shall only be transferred to the Company upon (1) the payment of fifty percent (50%) of the Purchase Price plus any and all accrued and outstanding interest as of the date of payment and/or (2) the passing of five (5) years from the date of closing provided that prior to such time, payment of no less than $225,000 on the account of the purchase price shall have been made to Shoval, plus any and all accrued and outstanding interest. The Company may defer the payment of all or a portion of any of the installments (except for the first installment, which was payable on the day of the closing) if and to the extent: (i) prior to the payment of $225,000 on the account of the aggregate purchase price to Shoval (the "Initial Threshold Amount") the obtainable cash (cash or cash equivalents less any amounts of signed checks or any other instruments that were issued or wire transfer instructions which were executed as of the payment date of the relevant Installment) is less than the Initial Threshold Amount; or (ii) following payment of the Initial Threshold Amount, if the obtainable cash as of the payment date of the relevant Installment is less than $500,000 as of the relevant payment date. The Company records payments as a Minority Interest balance sheet item until such payments reach the Initial Threshold Amount, at which time the Company will have title of the percentage of shares that would have been paid for. This agreement was terminated on July 4, 2012 by both parties.

In May 2012, the Company, SDS-Israel and Scientific Driven Systems, an Israeli company which provides services to the Company and its subsidiaries ("Shabtai"), entered into a services agreement. Pursuant to this agreement, Shabtai will continue to provide services and the Company will undertake to pay certain past due and any new fees according to a monthly schedule commencing on January 31, 2013 as follows: (i) up to the first $200,000 in revenues shall be payable 50% to Shabtai and 50% to Eran Drukman (see the following paragraph below), with the agreement that notwithstanding this payment provision, Shabtai and Eran can extend the date of any scheduled payment in amounts that may be used by the Company for its working capital; and (ii) from revenues in excess of $200,000, monies shall be allocated, first, to taxes, agents' costs and other costs associated with the completion of the Company's project for one year, second, up to an additional $150,000 shall be allocated to funding the Company's budget for six months and third, to payment of sums owed to Shabtai and Eran.

On July 4, 2012, the Company signed a Settlement for past debts, owed to Eran Drukman , mainly due to sales bonuses owed, by entering into a new future bonus arrangement.

Note 2: Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying consolidated balance sheet as of September 30, 2012, consolidated statements of operations and cash flows for the nine and three months ended September 30, 2012 and 2011 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation of our consolidated financial position as of September 30, 2012, our consolidated results of operations for the nine and three months ended September 30, 2012 and 2011 and cash flows for the nine and three months ended September 30, 2012 and 2011.

These consolidated financial statements should be read in conjunction with consolidated financial statements and accompanying notes for the year ended December 31, 2011 included in our Annual Report for the year ended December 31, 2011 on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on May 18, 2012.
Results for the nine and three months ended September 30, 2012 are not necessarily indicative of results that may be expected for the year ending December 31, 2012.
Unless otherwise noted, all references to "dollars" or "$" are to United States dollars.

Use of Estimates

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of consolidated assets, liabilities and equity as of September 30, 2012, and consolidated revenues and expenses for the nine and three months ended September 30, 2012 and 2011. Actual results could differ from those estimates made by management.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 68.6 percent owned Israeli subsidiary, SDS-Israel. Inter-company transactions and balances, have been eliminated in consolidation.

Fair Value Measurement

The FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires that an entity maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are as follows:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at September 30, 2012			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 199,349	$ 199,349	$ -	$ -
Restricted Cash	-	-	-	-
Total assets at fair value	$ 199,349	$ 199,349	$ -	$ -

	Fair Value Measurements at December 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 475,945	$ 475,945	$ -	$ -
Restricted Cash	14,595	14,595	-	-
Total assets at fair value	$ 490,540	$ 490,540	$ -	$ -

Note 3: Going Concern

The Company's current activities include sales of its products, marketing, capital formation, research and development, and building infrastructure. The Company has incurred a net loss of $2,554,898 and $344,305 for the nine and three months ended September 30, 2012, respectively, and as of September 30, 2012 the Company had an accumulated deficit of $7,360,014. The Company's ability to continue as a going concern is uncertain. The revised business plan of the Company is the application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector.

While management of the Company believes that the Company will be successful in its current and planned operating activities, there can be no assurance that the Company will be successful in the achievement of sales of its products that will generate sufficient revenues to earn a profit and sustain the operations of the Company. The Company also intends to conduct additional capital formation activities through the issuance of its common stock and loans from related parties.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has not established sufficient sources of revenues to cover its operating costs and expenses. As such, it has incurred significant operating losses since inception. Further, as of September 30, 2012, the cash resources of the Company were insufficient to meet its planned business objectives. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

Note 4 Related parties

As of September 30, 2012 and December 31, 2011 the Company has unpaid sales commissions to a director in SDS Israel in the amounts of $293,046 and $279,566, respectively.

On June 29, 2011 SDS Inc. approved an Amended Consulting Agreement with Mr. Yoav Krill, the Company's Chairman of the Board. In consideration of the services to be performed under the Amended Consulting Agreement, Mr. Krill shall receive an annual director's fee of $25,000 for the first twelve-month period. Thereafter, the parties shall agree in writing prior to November 30th of each calendar year as to the amount to be paid as director's fees, which amount shall not be less than $25,000 and shall be increased, proportionately, with any increase in the Company's paid-in capital, sales revenues or net profits. In addition, under the Amended Consulting Agreement, Mr. Krill was granted 2,400,000 shares of common stock of the Company valued at $240,000 and 10,500,000 stock options valued at $978,936.
The Options vests as follows: 4,666,660 shares were vested upon execution of the Amended Agreement and the balance of 5,833,340 shares shall vest in equal monthly amounts of 291,667 shares during each and every calendar month during the twenty month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was $0.1, the exercise price of the options $0.1 and the its expiration date 10 years from grant.

On June 29, 2011, SDS Inc. approved an Amended Employment Agreement with Mr. Gil Boosidan will serve as the Company's Chief Executive Officer. In consideration of the services to be performed under the Amended Employment Agreement, Mr. Boosidan shall receive (i) an aggregate of $30,000 in cash in four equal quarterly installments commencing September 30, 2011, and (ii) 1,200,000 shares of common stock of the Company valued at $120,000 and 6,000,000 stock options valued at $559,392.
The Options vests as follows: 2,666,680 shares vested upon the execution of his Amended Employment Agreement and the balance of 3,333,320 shares shall vest in equal monthly amounts of 166,667 shares during each and every calendar month during the twenty month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was $0.1, the exercise price of the options $0.1 and the its expiration date 10 years from grant.

On June 1, 2011 SDS Inc signed a consulting agreement with Mr. Daniel Krill, the son of Mr. Yoav Krill, chairman of the board of director. In consideration for services Mr. Daniel Krill was granted 400,000 shares valued at $32,000 and 200,000 stock options valued at $15,032. 5,555 options shall vest each calendar month commencing the date of the execution of the consulting Agreement. The price of the Company's share at date of grant of shares and options was $0.08, the exercise price of the options $0.1 and the its expiration date 10 years from grant.

On June 27, 2011 the Company entered into a Share Purchase Agreement with Shabtai Shoval ("Shoval"), a shareholder of SDS, Ltd. and its chief executive officer. Pursuant to the Agreement, Shoval will sell and transfer, under certain conditions as described herewith, to the Company all shares of SDS Israel held by him on the date of the Agreement, namely, NIS 0.01 par value 750,000 ordinary shares, which constitute 31.4% of SDS Israel outstanding shares as of the date of the agreement. For further details see note 1.

In August 2012, certain related parties, Yoav Krill, Gil Boosidan, Amir Uziel and Lavi Krasney, agreed that debt owed to them by the Company in the principal amount of $273,000 be evidenced by new convertible notes. The notes are due twelve months from the execution of the notes and are convertible into shares of common stock, at the lower of: (i) $0.01 per share; or (ii) a price equal to a discount of twenty (20%) percent from the average closing bid price of the common stock during the twenty trading days prior to the date of the delivery by the notice of conversion.

During the quarter ended September 30, 2012, the Company sold 4,400,000 restricted shares of common stock at $.01 per share as follows: 2,000,000 shares to Yoav Krill, chairman; 2,000,000 shares to Gil Boosidan, CEO and a director; and 400,000 shares to Daniel Krill, a consultant and the son of Yoav Krill. The proceeds from the sale of restricted shares were used to fund the Company's operating expenses.

Note 5 Convertible Note

On March 21, 2011, the Company issued a convertible note (the "Note") to Investor (the "Lender") whereby the Lender made a loan to the Company in an amount equal to $300,000 and accruing interest at a rate of 10% per annum. Similar notes were issued on May 12, 2011 and August 3, 2011for an amount equal to $100,000 and $35,000, respectively, (together the loans are referred to as the "loan"). The Loan and the accrued interest will be repayable in one installment on the date that is eighteen months after the date the Loan is made; provided that such date may be extended at the Company's request by another six months. The Lender shall have the right, at any time, to convert the principal and interest outstanding under the Note into common share issued by the Company at a conversion rate of $0.07 per a common share. In addition, the Lender is entitled to (i) 500 Class C warrants to purchase an additional 500 Common Shares for each 1000 Common Shares converted at exercise price of $0.12 per Common Share and (ii) 500 Class D warrants to purchase an additional 500 Common Shares for each 1000 Common Shares converted at exercise price of $0.21 per Common Share. The Class C Warrants shall be exercisable at any time from the conversion date to and excluding the first anniversary thereof and the Class D Warrants shall be exercisable at any time from the conversion date to and excluding the third anniversary thereof. There will be no restrictions on shares being registered upon exercise of the loan and the warrants will be registered under the Securities Act, or any state securities laws, and may be offered or sold in the United States upon registration or an applicable exemption from the registration requirements of the Securities Act.

FSP APB 14-1 requires issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to initially record the liability and equity components of the convertible debt separately. The liability component is computed based on the fair value of a similar liability that does not include the conversion option. The equity component is computed based on the total debt proceeds less the fair value of the liability component. The equity component (debt discount) and debt issuance costs are amortized as interest expense over the expected term of the debt facility. The liability component of our convertible notes is classified as long-term debt and presented as a long-term debt and the equity component of our convertible debt will be considered a redeemable security and presented as redeemable equity on our consolidated balance sheet if our stock price is above the conversion prices of $0.07 at the grant date. We concluded there the liability value is equal to similar liability that does not include a conversion option and therefore the equity component is zero.

We did not calculate a beneficial conversion feature, in determining whether an instrument contains a beneficial conversion option, intrinsic value should be calculated using the effective conversion price, which is based on the proceeds received for the convertible instrument. The Company's shares market price at grant date of the notes was below the conversion price, therefore there was no beneficial conversion feature on the loans.

Note 6 Stock warrants

A summary of the warrants granted is as follows:

	For the nine months ended September 30, 2012	
	Number of warrants	Weighted Average Exercise Price
Outstanding and exercisable at the beginning of the period	4,096,668	$0.30
Forfeited	2,083,334	0.33
Outstanding and exercisable at the end of the period	2,013,334	$0.28

	For the nine months ended September 30, 2011	
	Number of warrants	Weighted Average Exercise Price
Outstanding and exercisable at the beginning of the period	17,170,007	$0.30
Forfeited	9,773,340	0.29
Outstanding and exercisable at the end of the period	7,396,667	$0.32

Note 7 Stock options

On December 30, 2009, the Company approved 2009 Global Stock Incentive Plan (the "stock option plan"), under which 35,000,000 shares of common stock are authorized for issuance. As of September 30, 2012, 26,650,200 stock options were granted under the Stock Option Plan.

The Company accounts for stock based compensation using the fair value recognition provisions of ASC No. 718 "Compensation – stock compensation".

The fair value of the stock options is estimated based upon grant date fair value using the Black-Scholes option-pricing model with the following weighted average assumptions used for 2011 grants:

Annual dividends of	$0.00
expected volatility of	151.53%
risk-free interest rate of	1.88%
expected average options expiration	6.50

	For the nine months ended September 30, 2012	
	Number of options	Weighted Average Exercise Price
Outstanding at the beginning of the period	26,650,200	$0.12
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the period	26,650,200	$0.12
Exercisable at the end of the period	23,758,535	$0.12

	For the nine months ended September 30, 2011	
	Number of options	Weighted Average Exercise Price
Outstanding at the beginning of the period	3,550,200	$0.15
Granted	22,700,000	0.11
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the period	26,250,200	$0.12
Exercisable at the end of the period	15,808,539	$0.12

Note 8 Major Customers

The Company's revenues from 4 customers accounted for $144,359 or 91% of total revenues for the nine months ended September 30, 2012 and a customer accounted for $1,649,303 or 86% of total revenues in the nine months ended September 30, 2011.

	Nine months ended September 30, 2012	
	Revenues	% of total revenues
Customer A	$67,479	43%
Customer B	37,000	23
Customer C	29,880	19
Customer D	10,000	6
Other customers	14,228	9
Total Revenues	$96,060	100%

	Nine months ended September 30, 2011	
	Revenues	% of total revenues
Customer A	$ 1,649,303	86%
Customer B	88,329	5
Other customers	174,988	9
Total Revenues	$1,912,620	100%

Item 4. **Management's Discussion and Analysis or Plan of Operation.**

As used in this Form 10-Q (this "Report"), references to "Suspect," the "Company," "we," "our" or "us" refer to Suspect Detection Systems, Inc. unless the context otherwise indicates.

Forward-Looking Statements

The following discussion should be read in conjunction with our financial statements, which are included elsewhere in this Report. This Report contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Results of Operations

Results of Operations For the three months ended September 30, 2012 compared to the three months ended September 30, 2011

Revenues

The Company generated $62,527 and $174,341 in revenues for the three months ended September 30, 2012 and 2011, respectively, which represents a decrease of $111,814 or 64.13%. The reason for the decrease is the lack of material sales during the third quarter of 2012.

Cost of Revenue

The cost of revenue were $9,132 and $6,944 for the three months ended September 30, 2012 and 2012, respectively and primarily consisted of purchases and royalties to the Chief Science Office in Israel (2011) due to grants that were received in the past.

Research and Development

The Company incurred research and development expenses of $59,951 and $112,809 during the three-months ended September 30, 2012, respectively; a decrease of $52,858 or 46.86%.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of personnel costs and related expenses, professional fees, sales and marketing expenses, including travel, sales commissions, communication expenses, other administrative expenses and amortization of other acquired intangible assets. Selling, general and administrative expenses were $320,769 for the three months ended September 30, 2012; a decrease of $364,167, or 53.17%, compared to the quarter ended September 30, 2011. The decrease is primarily attributable to a decrease in compensation from the second quarter of 2011 to September 30, 2012.

Net Loss

The Company had a net loss of $344,305 and $656,312 for the three months ended September 30, 2012 and 2011, respectively, a decrease of $312,007 or $47.54%.

Results of Operations For the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011

Revenues

The Company generated $158,587 and $1,912,620 in revenues for the nine months ended September 30, 2012 and 2011, respectively, which represents a decrease of $1,754,033 or 91.71%. The reason for the decrease is the lack of material sales during 2012.

Cost of Revenue

The cost of revenue were $14,713 and $150,092 for the nine months ended September 30, 2012 and 2012, respectively and primarily consisted of purchases and royalties to the Chief Science Office in Israel due to grants that were received in the past. This decrease is primarily attributable to decrease in purchases during the nine months ended September 30, 2012 due to the decrease in revenues.

Research and Development

The Company incurred research and development expenses of $180,963 and $307,920 during the nine-months ended September 30, 2012, respectively; a decrease of $126,957 or 41.23%.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of personnel costs and related expenses, professional fees, sales and marketing expenses, including travel, sales commissions, communication expenses, other administrative expenses and amortization of other acquired intangible assets. Selling, general and administrative expenses were $1,147,688 for the nine months ended September 30, 2012; a decrease of $1,800,641, or 60.34%, compared to the nine months ended September 30, 2011. The decrease is primarily attributable to a decrease in compensation expenses from the nine months ended September 30, 2011 to September 30, 2012.

Net Loss

The Company had a net loss of $2,554,898 and $1,545,779 for the nine months ended September 30, 2012 and 2011, respectively, a decrease of $1,009,119 or $65.28%. The increase is mostly due to Impairment of goodwill on the amount of $1,333,214.

Liquidity and Capital Resources

The Company had cash in the amount of $199,349 as of September 30, 2012. The Company had total current assets as of September 30, 2012 of $318,497 consisting of $199,349 in cash, accounts receivable of $35,692, inventory valued at $56,261 and prepaid expenses and other receivables of $56,261.

The Company's total current liabilities totaled $1,167,118, consisting of $20,158 in accounts payable, accrued liabilities of $14,269, advances from customers totaling $56,288, deferred revenues of $14,705 and amounts due to related parties totaling $1,061,698.

As of September 30, 2012, the Company had a negative working capital of $848,621.

In addition, the Company had an accumulated deficiency of stockholders' equity of $7,360,014 at September 30, 2012, as compared to $4,948,203 as of December 31, 2011.

We used $467,082 of cash in our operating activities during the nine-month period ended September 30, 2012, which was mainly due to a net loss of $2,554,898 and impairment of goodwill of $1,333,214.

The Company expects significant capital expenditures during the next 12 months, contingent upon raising capital. We anticipate that we will need approximately $1,000,000 for operations for the next 12 months. These anticipated expenditures are for manufacturing, research and development, marketing, sales channel development, general and administrative expenses and debt financing.

Going Concern Consideration

The Company's current activities include sales of its products, marketing, capital formation, research and development, and building infrastructure. The Company's ability to continue as a going concern is uncertain. The revised business plan of the Company is the application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector.

While management of the Company believes that the Company will be successful in its current and planned operating activities, there can be no assurance that the Company will be successful in the achievement of sales of its products that will generate sufficient revenues to earn a profit and sustain the operations of the Company. The Company also intends to conduct additional capital formation activities through the issuance of its common stock and loans from related parties.

The Company has not established sufficient sources of revenues to cover its operating costs and expenses. As such, it has incurred significant operating losses since inception. Further, as of September 30, 2012, the cash resources of the Company were insufficient to meet its planned business objectives. These and other factors raise substantial doubt about the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements.

As of September 30, 2012, the Company had no off balance sheet arrangements.

Item 5 **Legal Proceedings**

The Company has no current, past, pending or threatened legal proceedings or administrative actions either by or against it that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

Item 6 **Defaults Upon Senior Securities**

The Company has not defaulted on the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Company to make payments, other than the payments due to Mr. Shabti Shoval. Currently $162,511 is due to Shoval, and the Company is trying to work out a settlement arrangement.

Item 7 **Other Information**

Not applicable

Item 8 **Exhibits**

Not applicable

Suspect Detection Systems Inc.
September 30, 2012

Item 9 **Issuer's Certifications.**

I, Gil Boosidan, certify that:

1) I have reviewed this Continuing Disclosure Statement of Suspect Detection Systems Inc. for the quarter ended September 30, 2012;

2) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 14, 2012

Signature: /s/ Gil Boosidan
Name: Gil Boosidan
Title: Chief Executive Officer and a director