

ADVANCED DEFENSE TECHNOLOGIES, INC

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UNAUDITED FINANCIAL STATEMENTS

The accompanying comparative balance sheets of ADVANCED DEFENSE TECHNOLOGIES, INC. as of September 30, 2012 and December 31, 2011, and the related comparative statements of operations, stockholders' equity, and cash flows for the periods then ended have been prepared by the Company's management and they include all information and notes to the financial statements necessary for a complete presentation of the financial position and the results of the Company's operations.

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ADVANCED DEFENSE TECHNOLOGIES, INC.
COMPARATIVE BALANCE SHEETS
As of September 30, 2012 and December 31, 2011

	As of <u>September 30, 2012</u>	As of <u>December 31, 2011</u>
ASSETS:		
Current Assets:		
Cash	\$ 4,998	\$ 5,239
Accounts Receivable	90,250	90,250
Prepaid Expenses	-	300
Total Current Assets	<u>95,248</u>	<u>95,789</u>
Property and Equipment (net of accumulated depreciation)	6,541	6,677
Other Assets:		
Notes Receivable	-	6,100
Deferred income taxes - asset	94,164	94,164
Intellectual Properties	50,000	50,000
Start Up Costs	<u>248,750</u>	<u>242,650</u>
Total Other Assets	<u>392,914</u>	<u>392,914</u>
TOTAL ASSETS	<u><u>494,703</u></u>	<u><u>495,380</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Accrued Expenses	10,304	9,036
Loans Payable-Officers	102,648	47,648
Loans Payable-Tahim & Associates, APC	54,600	43,800
Loans Payable-M. T. Mughal	<u>4,500</u>	<u>4,500</u>
Total Current Liabilities	<u>172,052</u>	<u>104,984</u>
Long Term Liabilities:		
Notes Payables - Consultants	<u>120,000</u>	<u>174,000</u>
Total Liabilities	292,052	278,984
Stockholders' Equity:		
Common Stock:		
1,000,000,000 shares authorized at \$0.001 par value		
102,780,990 shares issued and outstanding		
See statement of changes in stockholders' equity	<u>202,651</u>	<u>216,396</u>
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 494,703</u></u>	<u><u>\$ 495,380</u></u>

ADVANCED DEFENSE TECHNOLOGIES, INC.
COMPARATIVE STATEMENTS OF OPERATIONS
For The Period Ended September 30, 2012 and Year Ended December 31, 2011

	For the Nine Months Ended September 30, 2012	For the Year Ended December 31, 2011
REVENUE:		
Consulting Income	\$ -	\$ 120,250
Total Revenue	-	120,250
EXPENSES:		
Consulting Fees	-	40,250
Depreciation	137	1,640
Professional Fees	-	9,900
Rent	10,800	14,400
Salaries - officer		62,500
Salaries - employees	31,500	63,500
Subcontracted services		15,000
Office expense and supplies	922	2,950
System simulations		3,500
Payroll taxes	2,697	10,605
Technology assessment Fees		19,000
General and administrative	20,889	89,979
Total Expenses	66,945	333,224
NET OPERATING PROFIT (LOSS)	(66,945)	(212,974)
PROVISION FOR INCOME TAXES		
Taxes - State	800	800
NET LOSS	\$ (67,745)	\$ (213,774)
NET PROFIT PER COMMON SHARE:		
Basic and diluted	\$ -	\$ -
Average Outstanding shares		
Basic (stated in 1,000's)	102,781	97,781

ADVANCED DEFENSE TECHNOLOGIES, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
For The Period Ended September 30, 2012

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit from Operations During Development Stage	Total Equity
Balance December 31, 2009	75,000,000	\$ 1,000	\$ -	\$ -	\$ 1,000
Reverse Split 1-500 (Note 1)	(74,850,000)	-	-	-	-
Balance June 1, 2010	150,000	1,000	-	-	1,000
Issuance of Common Stock for Asset purchase	50,000,000	50,000	-	-	50,000
Issuance of Common Stock for Subscriber Note	6,100,000	6,100	-	-	6,100
Issuance of Common Stock subscribed by investors	11,917,528	15,324	229,835	-	245,159
Deficit for the year	-	-	-	(196,283)	(196,283)
Balance December 31, 2010	68,167,528	72,424	229,835	(196,283)	105,976
Issuance of Common Stock subscribed by investors	25,000	10,150	77,230	-	87,380
Issuance of Common Stock subscribed by investors	88,462	885	64,115	-	65,000
Issuance of Common Stock subscribed by investors	1,000,000	1,000	49,000	-	50,000
Issuance of Common Stock for Services	28,500,000	28,500	-	-	28,500
Prior year's income tax adjustment	-	-	-	(850)	(850)
Deferred income taxes	-	-	-	94,164	94,164
Deficit for the year	-	-	-	(213,774)	(213,774)
Balance December 31, 2011	97,780,990	\$ 112,959	\$ 420,180	\$ (316,743)	\$ 216,396
Cancellation of Note Receivable and Issued Shares	(5,000,000)	(5,000)	-	-	(5,000)
Issuance of Common Stock for Services	10,000,000	10,000	49,000	-	59,000
Deficit for the period	-	-	-	(67,745)	(67,745)
Balance September 30, 2012	102,780,990	\$ 117,959	\$ 469,180	\$ (384,488)	\$ 202,651

ADVANCED DEFENSE TECHNOLOGIES, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
For The period Ended September 30, 2012 and Year Ended December 31, 2011

	For the Nine Months Ended September 30, 2012	For the Year Ended December 31, 2011
Cash Flows From Operating Activities:		
Net Loss	\$ (67,745)	\$ (213,774)
Prior year's adjustment to retained earnings	-	\$ (850)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	137	1,640
<u>(Increase) /Decrease in assets:</u>		
Prepaid Expenses	300	(300)
Accounts Receivable	-	(90,250)
<u>Increase / (Decrease) in liabilities:</u>		
Accrued Expense	1,267	(45,977)
Net Cash Used in Operating Activities	<u>(66,041)</u>	<u>(349,511)</u>
Cash Flows From Investing Activities:		
Purchase of assets	-	(4,967)
Net Cash Used in Investing Activities	<u>-</u>	<u>(4,967)</u>
Cash Flows From Financing Activities:		
Loans from Officers and Related Parties	65,800	76,105
Common Stock issued for cash	-	192,230
Net Cash Provided from Financing	<u>65,800</u>	<u>268,335</u>
Net Change (Decrease) in Cash	(241)	(86,143)
Cash at Beginning of year	5,239	91,382
Cash at End of the period	<u>4,998</u>	<u>5,239</u>
Supplemental Information:		
Cash paid for income taxes	<u>\$ 800</u>	<u>\$ 1,600</u>
Cash Paid for interest expense	<u>\$ -</u>	<u>\$ -</u>

ADVANCED DEFENSE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1: GENERAL

The Company was originally organized as “June Project 1 Corp” on May 26, 1998 under the corporate laws of the State of Florida. The Company operated as a Florida for Profit Corporation from then until it changed its name to “Medcore Holdings Inc” on April 13, 2007. The Company operated as a Florida for Profit Corporation from then until it changed its name to Advanced Defense Technologies, Inc on January 19, 2010.

On December 19, 2009 the Company purchased the patents, technology, contracts, ongoing relationships, research projects, research and development funded by the government contracts and exclusive rights to use its patents from “RST Scientific Research Inc”. In conjunction with this asset purchase the Company decided to change its name to Advance Defense Technologies Inc and focus on developing and marketing new breakthrough technologies for applications in defense, home land security and large scale use of communications systems in private sector.

The Company completed its corporate restructuring including a name change, 1- for 500 reverse split, and ticker symbol change to ADCF.PK from MEDC.PK on June 1, 2010.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company’s financial statements. These accounting policies conform to generally accepted accounting principles and have been applied in the preparation of the financial statements. The books and records of the Company are maintained on an accrual basis of accounting for financial statements and tax reporting purposes.

a. **Revenue Recognition**

The Company recognizes revenue at the time the services are fully performed.

b. **Cash and cash equivalents**

The Company considers demand deposits and certificates of deposits, with an original maturity of one year or less, to be cash equivalents. Management believes that as of September 30, 2012, the company had no cash equivalents.

ADVANCED DEFENSE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

c. **Concentration of credit risk**

The Company currently maintains substantially all of its cash with major financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures each depositor for up to \$250,000. As of September 30, 2012, the Company had no funds in excess of FDIC insured limits. The Company has not experienced any losses in such accounts.

d. **Fair value of financial instruments**

Statement of Financial Accounting Standards ("SFAS") No. 107 "*Disclosures about Fair Value of Financial Instruments*" requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of accounts payable and accrued liabilities approximated their fair values as of September 30, 2012. The fair value of related party transactions are not determinable due to their related-party nature.

e. **Basic and Diluted Net Income (Loss) Per share**

Basic net income (loss) per share amounts is computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of any common share rights unless the exercise becomes anti dilutive and then only the basic per share amounts are shown in the report.

NOTE 3: INTELLECTUAL PROPERTIES & START UP COST

On December 19, 2009 the Company purchased intellectual properties which include patents, technology, contracts, ongoing relationships, research projects, research and development funded by the government contracts and exclusive rights to use its patents from "RST Scientific Research Inc" for \$50,000. As agreed by "RST Scientific Research Inc", Raghbir Tahim and Anne Tahim, officers of "RST Scientific Research Inc" have been issued 50,000,000 shares (25,000,000 shares to each officer) of the Company at par value of \$0.001.

As of September 30, 2012 the Company has incurred Start-up Cost in the amount of \$248,750.

- a. Raghbir Tahim, Officer of the Company had spent \$30,000 for attorney fees, filing fees travelling and other general and administrative relating to change of name of the company, corporate restructuring and change of ticker symbol.

ADVANCED DEFENSE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

- b. The Company has signed financial consulting service agreement with two consultants to provide services relating to capital structure, reorganization, broker/dealer and institutional investor relations. Per terms of agreement Company need to pay \$10,000 per month effective July 1, 2010. The Company has signed a human resource management consulting service agreement with HR Consultant to provide service relating to human resource management, prepare and review of MOU, Independent Contractors' service agreements. Per terms of contract, Company need to pay \$4,500 per month effective July 1, 2010.
- c. The Company had retained attorney and other marketing professionals engaged and have incurred Start Up cost of \$39,750 as of September 30, 2012.

NOTE 4: NOTE PAYABLE TO OFFICERS, CONSULTANTS AND RELATED PARTY TRANSACTIONS

The Company has outstanding note payable to officers amounting to \$102,648 as of September 30, 2012. The note is payable on demand and does not bear interest.

The Company has outstanding notes payable to consultants, for services rendered, amounting to \$120,000 as of September 30, 2012. The note is payable on demand and do not bear interest.

Notes payable to Tahim and Associates, APC and M.T. Mughal, amounting to \$54,600 and \$4,500, respectively were incurred for various services rendered to the Company. These loans do not bear interest.

The Company subleases its office premises on a month to month basis from Tahim and Associates, APC, owned by one of its officers and stockholders. Office lease expenses for the period ended September 30, 2012 of \$10,800 have been recorded and accrued.

NOTE 5: EQUITY TRANSACTIONS

In 2010 the Company issued 5,000,000 Common stock, in exchange of note receivable amounting to \$6,100. However, in March, 2012, the note receivable was cancelled together with the shares issued.

In March, 2012, the Company issued 5,000,000 shares of common stock for conversion of debt into equity in the amount of \$54,000. The amount of note payable to consultants has been reduced by \$54,000.

ADVANCED DEFENSE TECHNOLOGIES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6: INCOME TAX PROVISION, PAYABLE AND DEFERRED TAXES

The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

For the nine months ended September 30, 2012, the Company suffered losses. Franchise fees of \$800 was recorded as income taxes for the year then ended. Deferred income tax asset of \$94,164 represents the benefit on the net operating losses for the year ended December 31, 2011. No additional deferred income tax benefit was recorded for the nine months ended September 30, 2012.