

BioElectronics Corporation

Unaudited Balance Sheets*

From Year ending December 31, 2002 through December 31 2004

	December 31, 2004	December 31, 2003	December 31, 2002
ASSETS:			
Cash	\$42,819	\$595	
Inventory	\$82,350	\$22,235	\$1,000
Other assets	\$14,575	\$9,295	
Equipment	\$74,378	\$17,091	
Total assets	<u>\$214,122</u>	<u>\$49,216</u>	<u>\$1,000</u>
LIABILITIES AND STOCKHOLDER'S EQUITY/DEFICIT			
Current Liabilities	\$259,180	\$206,447	\$0
Bridge Notes	\$300,000		
Shareholder Notes Payable	\$102,822	\$0	\$0
Long Term Liabilities	\$7,278	\$8,031	\$0
Shareholder Notes Payable LT	<u>\$205,863</u>	<u>\$225,200</u>	<u>\$0</u>
Total Liabilities	<u>\$875,143</u>	<u>\$439,678</u>	<u>\$0</u>
Capital Stock, par value \$.001 per share, 200 million authorized; issued and outstanding 50,766,891	\$50,767	\$26,940	\$22,150
Additional paid-in-capital	\$518,410	\$173,950	\$8,990
Retained Earnings/Deficit	<u>(\$1,230,198)</u>	<u>(\$591,352)</u>	<u>(\$30,140)</u>
Total Shareholder's Equity	<u>(\$661,021)</u>	<u>(\$390,462)</u>	<u>\$1,000</u>
Total liabilities and shareholders equity	<u>\$214,122</u>	<u>\$49,216</u>	<u>\$1,000</u>

*These financial statements and notes thereto present fairly, in all material respects, the financial position of the company and the results of its operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Andrew J. Whelan, President for BioElectronics Corp.

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

BioElectronics Corporation

Unaudited Statements of Operations

From Year ending December 31, 2002 through December 31 2004

	12 mos ended December 31, 2004	12 mos ended December 31, 2003	12 mos ended December 31, 2002
REVENUES			
Sales Revenue	<u>\$300,995</u>	<u>\$30,497</u>	<u>\$4,480</u>
Total Revenue	<u>\$300,995</u>	<u>\$30,497</u>	<u>\$4,480</u>
Cost of Goods Sold	\$103,943	\$8,994	
Selling, General and Administrative Expenses	\$826,882	\$581,145	
Other Expenses	<u>\$9,016</u>	<u>\$1,570</u>	<u>\$4,480</u>
Total Expenses	<u>\$939,841</u>	<u>\$591,709</u>	<u>\$4,480</u>
Net Income/Loss before Income Taxes	<u>(\$638,846)</u>	<u>(\$561,212)</u>	<u>\$0</u>
Provision for Income Taxes	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net (loss)	<u>(\$638,846)</u>	<u>(\$561,212)</u>	<u>\$0</u>

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BioElectronics Corporation

Unaudited Statement of Cash Flows

From Year ending December 31, 2002 through December 31 2004

	12 mos ended December 31, 2004	12 mos ended December 31, 2003	12 mos ended December 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)	(\$638,846)	(\$561,212)	(\$4,480)
Adjustments to reconcile net(loss) to net cash (used in) operating activities	\$413,727	\$175,917	
Net cash (used in) operating activities	(\$225,118)	(\$385,295)	(\$4,480)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in property and improvements	(\$58,046)	(\$17,091)	
Net cash (used in) investing activities	(\$58,046)	(\$17,091)	\$0
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) from notes payable	(\$25,435)	\$233,231	\$4,480
Proceeds from additional paid-in-capital	\$347,811	\$164,960	
Other Equity	\$3,012	\$4,790	
Net cash provided in financing activities	\$325,389	\$402,981	\$4,480
Net increase (decrease) in cash	\$42,225	\$595	\$0
Cash Beginning	\$595	\$0	\$0
Cash Ending	\$42,819	\$595	\$0

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Notes to Financial Statements

1. Organization

BioElectronics Corporation was incorporated in April, 2000 (Inception), began employee-based operations in 2003. BioElectronics Corporation is a developer and marketer of advanced, inexpensive, U.S., FDA and European Union cleared disposable, drug-free, medical devices.

The Company's first product, ActiPatch (® Therapy is a dermal patch with an embedded battery operated microchip that delivers weeks of continuous pulsed therapy for a few dollars a day. The patch delivery system and the Company's patented technology provides an inexpensive, self administered, equivalent of the operator administered pulsed electromagnetic energy therapy used extensively world-wide for decades to reduce swelling, relieve pain and enhance the healing of post-surgical incisions, chronic wounds and orthopedic conditions.

2. Basis of Presentation

The financial statements included herein have been prepared by the Company without audit in accordance with generally accepted accounting principles. In the opinion of the Company's management, all adjustments have been made for a fair presentation of the financial position, results of operations and cash flow.

3. Income Taxes

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are adjusted by a valuation allowance, if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

At December 31, 2004, the Company has net operating loss carry forwards of approximately \$1.2 million, which will begin expiring in 2020. The Company has provided a valuation allowance to fully offset those tax benefits that might be recognized in the future, due to the uncertainty of their utilization

4. Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Recently Issued Accounting Standards

Management does not believe that any recently issued but not yet adopted accounting standards will have a material effect on the Company's results of operations or on the reported amounts of its assets and liabilities upon adoption.

6. Common Stock

The Company has issued and outstanding 50,766,891 shares of its common stock and \$518,410 of additional paid-in capital as of December 31, 2004.

7. Stock Based Compensation

The Company did not adopt its Employee Stock Option Plan until late in 2004. To date it has not incurred any stock compensation expense.

8. Subsequent Event

On February 14, 2005, with the proceeds from its private placement the Company reduce the balance of its outstanding bridge loan to \$100,000.