



Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statement of Equity, Cash Flows & Footnotes

Quarterly Report for Period Ended June 30, 2015

The following pages present the unaudited financial statements for Decision Diagnostics Corp., for the periods ended June 30, 2015, December 31, 2014, and June 30, 2014. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: **DECN**

CUSIP Number: **243443 108**

Decision Diagnostics Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 698,404	\$ 1,750,002
Accounts receivable, net	364,159	267,492
Inventory	34,992	91,886
Prepaid expenses	1,594,916	1,581,500
Total current assets	2,692,471	3,690,881
Fixed assets:		
Specialty manufacturing equipment	214,975	-
	214,975	-
Less accumulated depreciation	-	-
Fixed assets, net	214,975	-
Other assets:		
Intellectual property	704,030	437,038
Total other assets	704,030	437,038
Total assets	\$ 3,611,476	\$ 4,127,919
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 697,485	\$ 309,362
Accrued interest	386,286	269,036
Net liabilities from discontinued operations	-	-
Subscriptions payable	77,500	77,500
Line of credit	-	-
Notes payable and short term debt (Note 5)	2,262,494	2,192,220
Total current liabilities	3,423,765	2,848,118
Derivative liabilities	610,316	971,352
Contingencies	245,069	245,069
Stockholders' equity:		
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares issued and outstanding as of June 30, 2015 and December 31, 2014	-	-
Preferred series "B" stock, \$0.001 par value, 2,500 shares authorized, 2,000 issued and outstanding as of June 30, 2015 and December 31, 2014	2	2
Preferred series "C" stock, \$0.001 par value, 10,000 shares authorized, 2,610 and 2,680 shares issued and outstanding as of June 30, 2015 and December 31, 2014	2	2
Preferred series "D" stock, \$0.001 par value, 500 shares authorized, no shares issued and outstanding as of as of June 30, 2015 and December 31, 2014	-	-
Preferred series "E" stock, \$0.001 par value, 1,750,000 shares authorized, 712,540 and 497,906 shares issued and outstanding as of June 30, 2015 and December 31, 2014	713	499
Common stock, \$0.001 par value, 494,995,000 shares authorized, 51,454,026 and 43,949,741 shares issued and outstanding as of June 30, 2015 and December 31, 2014	51,455	43,949
Common stock unissued, 1,410,000 shares as of as of June 30, 2015 and December 31, 2014	1,411	1,411
Subscription receivable	(77,250)	(77,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	36,934,802	35,709,088
Retained (deficit)	(37,257,466)	(35,292,979)
Total stockholders' equity	(667,674)	63,380
Total liabilities and stockholders' equity	\$ 3,611,476	\$ 4,127,919

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

Decision Diagnostics Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue	\$ 89,651	\$ 136,944	\$ 178,755	\$ 357,447
Cost of sales	3,326	161,453	66,484	170,723
Gross profit	86,325	(24,509)	112,271	186,724
Expenses:				
Advertising	-	33,475	-	122,133
General & administrative expenses	146,876	103,518	233,560	164,400
Consulting	46,498	89,937	64,296	123,918
Payroll expense	9,960	9,047	16,576	15,459
Professional fees	287,666	54,597	1,605,057	357,707
Total expenses	491,000	290,574	1,919,489	783,617
Net operating (loss)	(404,675)	(315,083)	(1,807,218)	(596,893)
Other income (expense):				
Financing costs	-	-	(16,965)	-
Interest expense, net	(67,276)	(143,822)	(139,092)	(206,349)
Settlement expense	-	(20,000)	-	(20,000)
Loss on obsolete inventory	-	(34,133)	-	(187,425)
Total other income (expense)	(67,276)	(197,955)	(156,057)	(413,774)
Taxes				
State	-	-	(1,212)	-
Net loss	\$ (471,951)	\$ (513,038)	\$ (1,964,487)	\$ (1,010,667)
Add: Dividends declared on preferred stock	-	-	-	-
Income available to common shareholders'	\$ (471,951)	\$ (513,038)	\$ (1,964,487)	\$ (1,010,667)
Weighted average number of common shares outstanding - basic and fully diluted	48,998,894	40,555,185	47,898,586	39,283,931
Net income (loss) per share - basic and fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.03)

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

Decision Diagnostics Corp.
Statements of Shareholders' Equity
(Unaudited)

Date	Shareholder	Preferred "B"		Preferred "C"		Preferred "E"		Common Stock		APIC	Authorized Unissued	Subscription Receivable	Finders' Fees	RE	Total
		# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt						
BALANCE, December 31, 2014		2,000	2	2,610	3	497,906	499	43,948,741	43,949	35,709,090	1,410	(77,250)	(321,344)	(35,292,979)	63,380
1/21/2015	Shares for services - R. Herskowitz					100,000	100	-	-	24,900	-	-	-	-	25,000
1/21/2015	Shares for services - Mayer & Associates					135,000	135	-	-	33,615	-	-	-	-	33,750
1/21/2015	Shares for financing costs - Alpha Credit Resources					67,860	68	-	-	16,897	-	-	-	-	16,965
1/21/2015	Shares for services							1,875,000	1,875	466,875	-	-	-	-	468,750
1/28/2015	Shares for settlement of liquidated damages							850,000	850	203,150	-	-	-	-	204,000
2/23/2015	Conversion - Alpha Credit Resources					(50,366)	(51)	705,124	705	(654)	-	-	-	-	-
	Net loss													(1,492,536)	(1,492,536)
BALANCE, March 31, 2015		2,000	2	2,610	3	750,400	751	47,378,865	47,379	36,453,873	1,410	(77,250)	(321,344)	(36,785,515)	(680,692)
5/11/2015	Note conversion-Momona Capital							235,000	235	35,015	-	-	-	-	35,250
5/12/2015	Shares for services-R. Herskowitz					30,000	30	-	-	5,670	-	-	-	-	5,700
5/12/2015	Preference conversion-Mayer & Associates					(67,860)	(68)	950,040	950	(882)	-	-	-	-	-
5/12/2015	Note conversion-Robert Herskowitz							950,000	950	141,550	-	-	-	-	142,500
5/21/2015	Note conversion-Momona Capital							235,000	235	35,015	-	-	-	-	35,250
6/1/2015	Note conversion-Chase Financing 401K							533,334	533	79,467	-	-	-	-	80,000
6/8/2015	Note conversion-Momona Capital							437,250	437	65,150	-	-	-	-	65,588
6/8/2015	Shares for services-St. Andrews							350,000	350	62,650	-	-	-	-	63,000
6/29/2015	Note conversion-Alpha Capital Anstalt							384,537	385	57,296	-	-	-	-	57,681
	Net loss													(471,951)	(471,951)
BALANCE, June 30, 2015		2,000	2	2,610	3	712,540	713	51,454,026	51,454	36,934,804	1,410	(77,250)	(321,344)	(37,257,466)	(667,675)

Decision Diagnostics Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$ (1,964,487)	\$ (1,010,667)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Loss on writedown of obsolete inventory	-	187,425
Shares and options issued for services	596,200	237,750
Shares issued for financing fees	16,965	-
Changes in operating assets and liabilities		
Accounts receivable	(96,667)	(115,925)
Inventory	56,894	104,683
Prepaid and other assets	(13,416)	(65,295)
Accounts payable and accrued liabilities	388,122	(21,910)
Accrued interest	139,092	111,149
Net cash provided (used) by operating activities	(877,297)	(572,790)
Cash flows from investing activities		
Fixed assets	(214,975)	-
Intellectual property	(266,992)	(114,182)
Net cash (used) by investing activities	(481,967)	(114,182)
Cash flows from financing activities		
Proceeds from notes payable	307,666	797,210
Subscriptions receivable	-	51,500
Net cash provided by financing activities	307,666	848,710
Net increase in cash	(1,051,598)	161,738
Cash - beginning	1,750,002	2,518,029
Cash - ending	\$ 698,404	\$ 2,679,767
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 1,212	\$ -
Non-cash transactions:		
Shares and options issued for services	\$ 596,200	\$ 237,750
Shares issued for financing activities	\$ 16,965	\$ -
Shares issued for debt and derivative liabilities	\$ 620,269	\$ -

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

DECISION DIAGNOSTICS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2014 and notes thereto included in the Company's annual filing. The Company follows the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the six months ended June 30, 2015 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distributions platforms through which our products that can be sold. We intend to use borrowings and security sales to mitigate the effects of our cash position, however, no assurance can be given that debt or equity financing, if required, will be available. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

NOTE 3 – Equipment – Specialty Manufacturing Instruments

During the second quarter 2015, we acquired specialty manufacturing instruments for cash totaling \$215,000.

NOTE 4 – Patents

During the first quarter, 2015, we acquired two patents for cash totaling \$250,000.

NOTE 5 – Acquisition of Certain Properties

In March 2014 the Company agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition is now the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA. The original purchase price for this property was expected to be \$2,000,000 (cash). The company is anticipating substantial offsets against this purchase price. The Company has not yet recorded this acquisition on its books because the acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court.

NOTE 6 – Notes payable

During the first quarter, 2015, we were loaned \$277,850 of convertible debt from an un-related entity. The promissory notes have the same conversion rights as our other notes, bear interest at 12%-14% per annum, and are due March 31, 2016.

During the second quarter, 2015, we were loaned \$307,666 of convertible debt from an un-related entity. The promissory notes have the same conversion rights as our other notes, bear interest at 12%-14% per annum, and are due June 30, 2016.

We have recorded interest in connection with our notes payable totaling \$139,092 and \$206,349 for the six months ended June 30, 2015 and 2014, respectively.

NOTE 7 – Stockholder's equity

Preferred

During the quarter ended March 31, 2015, a Holder of the Company's preferred series "E" shares elected to convert 50,366 shares into 705,124 shares of \$0.001 par value common stock.

During the quarter ended March 31, 2015, the Company issued 235,000 shares of preferred series "E" shares for services valued at \$58,750.

During the quarter ended March 31, 2015, the Company issued 67,860 shares of preferred series "E" shares for financing costs valued at \$16,965.

During the quarter ended June 30, 2015, the Company issued 30,000 shares of preferred series "E" shares for services valued at \$5,700.

During the quarter ended June 30, 2015, a Holder of the Company's preferred series "E" shares elected to convert 67,860 shares into 950,040 shares of \$0.001 par value common stock.

Common

During the quarter ended March 31, 2015, the Company issued 1,875,000 shares of \$0.001 par value common stock for consulting services valued at \$468,750.

During the quarter ended March 31, 2015, the Company issued 850,000 shares of \$0.001 par value common stock for the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at \$204,000.

During the quarter ended March 31, 2015, the Company issued 705,124 shares of \$0.001 par value common stock for 50,366 shares of previously issued and converted preferred series "E" shares.

During the quarter ended June 30, 2015, the Company issued 2,540,121 shares of \$0.001 par value common stock for convertible debt and the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at \$381,019.

During the quarter ended June 30, 2015, the Company issued 350,000 shares of \$0.001 par value common stock for consulting services valued at \$63,000.

During the quarter ended June 30, 2015, the Company issued 950,040 shares of \$0.001 par value common stock for 67,860 shares of previously issued and converted preferred series "E" shares.

NOTE 8 – Subsequent events

In accordance with ASC 855, management evaluated all activity of the Company through the issue date of the financial statements and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

On June 1, 2015 the company entered into a wide-ranging contract manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015 we enhanced our role in this agreement through the purchase of and investment in computer controlled, specialty manufacturing equipment that is now located in the Korean facility of our R&D and contract manufacturing partner. The company completed this purchase through a \$250,000 derivative financing lead by Alpha Credit Anstalt.

On July 31, 2015 the company announced the pendency of network trials in the U.S. and Canada for its Discretion Messenger wireless, cloud-enabled glucose monitoring system. This product received its FDA clearance in April 2015. Late in July 2015 the company received its registered trademark for Discretion Messenger.