UNITED STATES OF AMERICA

Before the

SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

BioElectronics Corporation
IBEX, LLC
St. John's LLC
Andrew J. Whelan, CPA
Robert P. Bedwell, CPA

Respondents.

Administrative Proceeding
File No. 3-17104

DECLARATION OF ANDREW J. WHELAN

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310.394.2825

Attorneys for Respondents

I, Andrew J. Whelan, declare and state as follows:

1. I have personal knowledge of the facts set forth herein, and if called as a witness, I would testify competently thereto.

2. I respectfully submit this declaration in support of Respondents' Motion for Summary Disposition.

3. I am the Chief Executive Officer of BioElectronics Corporation ("BIEL").

4. BIEL is a medical device company founded in 2000 and headquartered in Frederick, Maryland. In 2002, the U.S. Food & Drug Administration awarded BIEL clearance for sale of its products by licensed physicians. BIEL is awaiting FDA classification changes and market clearances to permit over-the-counter sales in the United States. In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.

5. BIEL's products, proven effective in seven clinical studies, are available over-the-counter in dozens of foreign countries. In the United Kingdom, BIEL's product is sold at Boots, the largest pharmacy chain in the UK. BIEL has sold more than 700,000 units representing about 40 million treatments, and generating revenue of approximately $6.7 million.

6. BIEL's Board of Directors Chairman, Dr. Richard Staelin, is a Chaired Professor of Business Administration at the Fuqua School of Business at Duke University. BIEL's Board previously included: Dr. Brian M. Kinney, Chief of Plastic Surgery at Century City Hospital in California and faculty at University of Southern California Medical School; Ashton Perry, former Vice President at Lucent Technologies, Inc.; and Douglas Watson, former President of Ciba/Geigy's United States Pharmaceutical Division, and Chairman and Chief Executive Officer of Novartis Corporation, among others.

7. The BIEL convertible notes issued to IBEX LLC were on substantially similar terms to those of other lenders to BIEL, and approved by the BIEL's board of directors, including initially, by a board comprised of a majority of independent directors. IBEX LLC was

only one of the many lenders to BIEL. Many of the BIEL notes were attached as exhibits to SEC filings are were described in BIEL's financial statements.

8. I do not own any interest or have any managerial role at IBEX LLC.

9. I do not have the power to direct the management or policies of IBEX LLC through ownership of voting securities, by contract, or otherwise.

10. I have not lived in the same household with my daughter during the last 30 years.

11. At the time the transactions identified in the More Definitive Statement were made, and to this day, Kelly Whelan did not have the power to direct management or policies of BIEL through ownership of voting securities, by contract, or otherwise.

12. Section 2.2 of BIEL promissory note issued to IBEX's provides that IBEX's right to convert shares, in each instance, is expressly conditioned on BIEL's Board approving such conversion. BIEL's Board was well aware of the securities law implications that would arise in the event IBEX became an affiliate, and had no intention of approving a conversion that would cause IBEX to become a 10% owner of BIEL's stock. IBEX and BIEL agreed that IBEX would not seek such a conversion and, in no instance, did so, and IBEX confirmed such intent in Board Resolutions. Attached hereto at **Exhibit 1** is a true and correct copy of a board resolution confirming the agreement with IBEX.

13. I had no authority to direct IBEX to sell its securities. Instead, I decided when BIEL would be required to borrow money, as was my role as Chief Executive Officer of BIEL. With approval of the Board, I also decided who I would ask to make such loan, the terms I would offer to lenders and the timing of such proposal, including circumstances in which I asked Kelly Whelan and IBEX for a loan. When a note came due, and BIEL wished to extend or renew the note, the note was extended or renewed on market terms profitable to IBEX.

14. At the time the transactions identified in the More Definitive Statement were made, and to this day, BIEL satisfied the issuer current information requirement under Rule 144(c) and Rule 15c2-11 that adequate public information be available. Among other things, BIEL filed either SEC annual and periodic statements with the Commission and/or similar

information, including financial statements, on its website and with the Pink Sheets OTC Exchange. Attached hereto at **Exhibit 2** are copies of the SEC Form 10K filed on March 31, 2010 and Forms 10Q filed in May, August and November 2010; Also attached are example of BIEL's publicly available information on its web page.

15. In 2009, BIEL recognized $366,000 in revenue, and disclosed substantial losses. There is no question that all the revenue was received, but the SEC complains about the *timing* of the revenue recognition. The charge is not that the income was phantom revenue, or that the money was never received, but that some portion of that revenue should not have been recognized in 2009, and, instead, in the following reporting periods.

16. BIEL disclosed such revenue accurately. Its qualified auditor formally opined that its Form 10Ks complied with GAAP. Attached hereto at **Exhibit 3** is a true and correct copy of the Audit Opinion of Berenfeld Spritzer Shechter & Sheer, LLP concluding that BIEL's financial statements present fairly its financial position. The OIP includes claims against Robert Bedwell, the CPA upon which BIEL reasonably relied. The Division concedes that compliance with accounting standards on revenue recognition rest on the auditor's expertise.

17. Perhaps more importantly, if there was a mistake, it was an honest, temporary and immaterial error in BIEL's Form 10K. A holistic reading of the same Form 10K reveals a full and fair disclosure of the precarious financial condition of BIEL. Throughout that Form 10K, BIEL emphasized that it had suffered substantial losses throughout its short existence, little or no cash on hand, other than borrowed cash, serious doubt as to its continued existence, and that its very survival would depend on securing new financing. Including (correctly or not) the relatively modest bill and hold transactions, BIEL suffered another year of substantial losses, decisively negative cash flow from operations, bare cash drawers and a desperate need of new capital for the survival of BIEL's operations. Like so many start-up companies, BIEL suffered from constant cash flow drain threatening its operations and existence, and made that financial condition absolutely clear in its 2009 Form 10K.

18. The bill and hold transactions between BIEL and YesDTC and eMarkets were described in substantial detail in BIEL's 2009 Form 10k. See Exh. 2. Tellingly, there was no spike in the stock price or volume of BIEL when the Form 10k was published per the Events Study conducted at Duke University. See Declaration of Yue Qin, Exh. 1. Further disclosures were made in BIEL's 2010 Form 10Qs. In both cases, qualified auditors certified that the statements fairly stated the financial condition of BIEL in compliance with GAAP. See, Exh. 3.

19. YesDTC entered into a Distribution Agreement with BIEL on December 30, 2009 (the "Distribution Agreement"). The Distribution Agreement obligated YesDTC to pay $100,000 to BIEL upon signing, and $50,000 in 2010. On December 30, 2009, YesDTC paid BIEL $100,000 and on March 31, 2010, YesDTC paid $50,000 to Jarenz LLC, a creditor of BIEL, at BIEL's instruction.

20. YesDTC paid the $150,000 for both (1) the product; and (2) an exclusive license to sell the product into Japan. If the product was not purchased in sufficient levels, then YesDTC would lose its license rights. At no time did YesDTC have any expectation those monies for the products purchased under the Distribution Agreement would be refundable if YesDTC proved to be unsuccessful. Instead, YesDTC understood and agreed that if it did not maintain the levels of purchases outlined in the agreement, YesDTC would lose its license to market the product in Japan in the future and that its investment in that license and unsold inventory would be lost. Section 9.4 of the Agreement was discussed on numerous occasions during the negotiation process. Section 9.4 outlined procedures relating to YesDTC recovering funds should the Agreement be terminated.

21. YesDTC attempted to register product in Japan, but was unsuccessful. Notwithstanding YesDTC's failure to sell the product in Japan, BIEL was not required to refund the $150,000 paid because YesDTC bargained for the exclusive license in Japan, and received that license. YesDTC never asked for a refund of its license fee and inventory purchase and its own audited financial statements mirrored BIEL's accounting of the transaction.

22. YesDTC did not have a storage facility to house the product. Its business location (300 Beale Street, Unit 301, San Francisco, Ca) was a mixed use residential/office building that specifically prohibited commercial shipping and warehousing operations. Therefore, YesDTC asked BIEL to have the product stored at BIEL's facility until delivery was requested by YesDTC. YesDTC was concerned that storing the product in house would not have been permitted by the FDA. Section 21 CFR 820.70(f) requires "buildings to be of suitable design and have sufficient space for packaging and labeling operations." YesDTC was not able to meet these requirements, so a mutual decision was made between BIEL and YesDTC to store the units in BIEL's facility.

23. Mary Whelan's affiliation with eMarkets and its related party transactions with BIEL was fully disclosed in BIEL's SEC filings, web site, and the OTC Pink Sheet's web site. Mary Whelan maintained the product eMarkets purchased from BIEL in a discrete segregated section of BIEL's warehouse. The product was maintained at BIEL because under FDA regulations, eMarkets was obligated to store the product at an FDA approved warehouse; and because eMarkets requested that BIEL do so. eMarkets Group took exclusive ownership of the inventory, booked it in its accounts, sold it, and shipped it to customers. At eMarkets' direction, BIEL's employees processed the shipping to the end-user and consolidated the shipment of both the eMarkets inventory items (squares and crescents) with loop products that are "drop-shipped" to avoid multiple shipment expenses to the customer. The loop is also used by veterinarians for some applications such as hoof treatments.

24. At no time did eMarkets or BIEL have any expectation that funds paid were refundable. No such request has ever been made, and no funds have been returned. The fact that eMarkets' product was warehoused in a separate section of BIEL's warehouse was fully disclosed to BIEL's auditor, Robert Bedwell, of Cherry Bekaert, and BIEL's attorneys, and BIEL relied on such professionals in making such disclosures.

25. eMarkets initially forecast that it would sell all the product purchased by the end of 2010, but sales later proved to be slower than it anticipated.

26. Although BIEL had booked and actually received all such revenue in 2009, in an abundance of caution, BIEL took remedial action at the end of 2010 to restate its revenue to reflect this fact in its annual report.

27. To date, eMarkets has shipped more than 10,000 of the inventory units purchased. BIEL's good faith efforts and substantial compliance with its disclosure requirements belie the Division's contention that there was a plan to report false revenues or evade the registration requirements.

28. Among other things, BIEL filed a registration statement with the Commission in 2007 and Form 10K in 2010. Its audited financial statements pertaining to 2009 fully disclosed the eMarkets, YesDTC, IBEX and St. John's transactions and the relationship between Kelly Whelan, IBEX, Mary Whelan, Andrew Whelan and BIEL, among others. BIEL has had more than a dozen lawyers including blue chip law firms Kirkpatrick and Lockhart and Alston Bird, and several auditors review and assist the Respondents with the execution of its securities transactions. Every conversion of every note resulting in an issuance of BIEL shares was supported by one or more legal opinion letters and was reviewed and approved by BIEL's transfer agent.

29. Not a single lawyer, auditor or transfer agent has ever warned BIEL that there was something illegal or untoward about the loans made by IBEX or St. John's to BIEL. Using qualified professionals, IBEX, St. John's and BIEL endeavored to make the required disclosures in its SEC filings, to its auditors, and all regulators and investors interested in BIEL.

30. IBEX and St. John's held the underlying securities for two years, three years and longer before liquidating them into the market. In doing so, and in their consistent and steadfast compliance with Rule 144, IBEX and BIEL pursued a course of strict adherence, not evasion, and were not underwriters, as that term is defined by Rule 144

31. The introduction of the 2009 Form 10K starting at page 17 makes no mention of revenue. Instead, the introduction summarizes what was material to investors:

> During 2009, our focus was on developing product, obtaining additional domestic and international distribution channels, conducting market research, completing additional clinical trials, eliminating debt, and strengthening the balance sheet. The motivations for continued clinical trials are marketing enrichment and obtaining additional U.S. Food and Drug Administration (FDA) approved therapeutic indication for existing and future products. Securing additional U.S. FDA approval is central to market entry and product acceptance.

32. The first mention of revenue is found in the RESULTS OF OPERATIONS section starting on page 20. On page 20, BIEL expressly discloses:

> Revenues from international sales for the year ended December 31, 2009 include $150,000 of sales related to a bill and hold transaction. The units will be shipped in 2010 to help meet the distribution 2010 purchase obligations....
>
> Veterinary revenues of $271,047 were recorded in connection with a distribution agreement signed on February 9, 2009 with eMarkets, a company owned and controlled by a member of the board of directors and sister of our president. The agreement provides for eMarkets to be the exclusive distributor of our veterinary products to customers in certain countries outside of the United States for a period of three years. The specialized veterinary products sold to eMarkets include approximately $216,000 of revenues related to bill and hold transactions and for which the related product is expected to be delivered during the fourth quarter of 2010.

33. In the LIQUIDITY AND CAPITAL RESOURCES section, at page 23, BIEL explains:

> For every year since our inception, we have generated negative cash flow from operations. At December 31, 2009, our cash and cash equivalents were approximately $296,000. Since the end of fiscal 2008, the increase of approximately $241,000 in our cash and cash equivalents

resulted primarily from the issuance of related party notes payable during the year.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members and their immediate family and associates. As of December 31, 2009, all of the Company's financing was provided by these related parties through long-term notes payable. We present these notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts."

On January 1, 2005, we entered into an unsecured revolving convertible promissory agreement ('the Revolver') with IBEX, LLC ('IBEX') a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of our common stock. The Revolver is convertible at various conversion prices based on the VWAP for the 10 trading days preceding the conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. As of December 31, 2009, an amount of approximately $1,288,000 was drawn from the Revolver.

Emphasis added.

34. At page 24, it adds:

During the year ended December 31, 2009, the Company generated $2,597,860 in cash from financing activities through the issuance of notes payable to related parties (amounting to $1,725,360) and the sale of common shares to investors (amounting to $872,500). The proceeds received from these activities were used to repay certain notes payable (amounting to $994,025) and to fund operations during the year.

35. The Form 10-K expressly discloses BIEL's losses and its impact on the company as a going concern.

> We have incurred substantial losses from operations in 2009 and prior years, including a net loss of $259,977 for the year ended December 31, 2009. The Company also has an accumulated deficit as of December 31, 2009 of $10,644,490. ...
>
> We are currently looking for additional financing to provide funds for operations and complete our developmental activities. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations....
>
> [T]here exists substantial doubt as to our ability to continue as a going concern."

Emphasis added.

36. BIEL's independent auditor reviewed and certified that the financial statements "present fairly, in all material respects, the financial position of BIEL as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the three year period ended December 31, 2009 and for the period from April 10, 2000 (Inception) to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America." See, Exhibit 3.

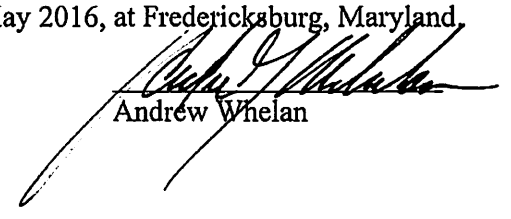
37. A month later, May 12, 2010, when BIEL filed its Form 10Q, BIEL again provided detailed disclosures of these same transactions. For example, at p. 21, discloses: "At March 31, 2010, the Company has not yet delivered 43,160 units, totaling approximately $366,000 bill and hold sales recognized for the year ended December 31, 2009. The units will be shipped during 2010 to help meet the distribution 2010 purchase obligation."

38. Accordingly, BIEL fairly disclosed the material facts pertaining to the bill and hold transactions, and that the mere timing of recordation of the $366,000 of revenues received from those transactions was immaterial to the financial condition of BIEL as described in its 2009 Form 10K.

39. Here the transactions were not important when the company's financial picture is looked at holistically. This view is confirmed by the fact that there was no significant stock price movement that resulted from the disclosures of the bill and hold revenues. See Events Study at Exhibit 1 to the Yue Qin Declaration.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 25th day of May 2016, at Fredericksburg, Maryland.



Andrew Whelan

ACTION OF THE BOARD OF DIRECTORS

OF

BIOELECTRONICS CORPORATION

BY UNANIMOUS WRITTEN CONSENT

The undersigned, comprising all of the Directors of BioElectronics Corporation, a Maryland corporation (the "Company"), pursuant to applicable Maryland General Corporation Law, hereby consent in writing to the following actions as of April 5, 2013;

WHEREAS, Kelly Whelan and Ibex, LLC., unaffiliated third-party investors, ("investors") have loaned the Company money from time to time through the issuance of Convertible Promissory Notes;

BE IT, RESOLVED, that the Board hereby adopts a policy as of April 5, 2013 that it will not convert any debt held by Investors that would result in the investors owning more than 9.99% of any class of securities of the Company.

This Consent may be executed in multiple counterparts and shall be filed among the minutes of the proceedings of the Board of Directors of the Corporation.

Dated: April 5, 2013

Richard Staelin

Andrew J. Whelan

Mary Whelan

ACTION OF THE BOARD OF DIRECTORS

OF

BIOELECTRONICS CORPORATION

BY UNANIMOUS WRITTEN CONSENT

The undersigned, comprising all of the Directors of BioElectronics Corporation, a Maryland corporation (the "Company"), pursuant to applicable Maryland General Corporation Law, hereby consent in writing to the following actions as of April 5, 2013;

WHEREAS, Kelly Whelan and Ibex, LLC., unaffiliated third-party investors, ("investors") have loaned the Company money from time to time through the issuance of Convertible Promissory Notes;

BE IT, RESOLVED, that the Board hereby adopts a policy as of April 5, 2013 that it will not convert any debt held by Investors that would result in the investors owning more than 9.99% of any class of securities of the Company.

This Consent may be executed in multiple counterparts and shall be filed among the minutes of the proceedings of the Board of Directors of the Corporation.

Dated: April 5, 2013

Richard Staelin

Andrew J. Whelan

Mary Whelan

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2009

" **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to .

Commission File Number 021-74972

BIOELECTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	**52-2278149**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

4539 Metropolitan Court
Frederick, Maryland 21704
(Address of principal executive offices and zip code)

Phone: 301.874.4890
Fax: 301.874.6935
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:
None.

Securities registered under Section 12(g) of the Exchange Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes " No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No "

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes x No " (2) Yes " No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.45 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not

contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	"	Accelerated filer	"
Non-accelerated filer	" (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No x

The aggregate market value of the ordinary shares, $0.001 par value per share ("Shares"), of the registrant held by non-affiliates on June 30, 2009 was $26,961,010.

The Company is authorized to issue 1,500,000,000 Shares. As of March 30, 2010, the Company has issued and outstanding 1,461,998,871 Shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

BIOELECTRONICS CORPORATION

FORM 10-K

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PART IV

The statements contained in this Report that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business, which can be identified by the use of forward-looking terminology, such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that such statements, which are contained in this Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors discussed in our other filings with the Securities and Exchange Commission, and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing us, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause our actual results, performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include, without limitation:

- *The availability of additional funds to successfully pursue our business plan;*
- *The cooperation of industry service partners that have signed agreements with us;*
- *Our ability to market our services to current and new customers and generate customer demand for our products and services in the geographical areas in which we operate;*
- *The highly competitive nature of our industry;*
- *Our ability to retain key personnel;*
- *Our ability to maintain adequate customer care and manage our churn rate;*
- *Our ability to maintain, attract and integrate internal management, technical information and management information systems;*
- *Our ability to manage rapid growth while maintaining adequate controls and procedures;*
- *The availability and maintenance of suitable vendor relationships, in a timely manner, at reasonable cost;*
- *General economic conditions.*

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this document is a statement of our intention as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I

ITEM 1. BUSINESS.

1. Form and year of organization: BioElectronics Corporation ("the Company") was formed as a Maryland Corporation in April 2000.

2. Description of the Company's business as a smaller reporting company.

a. Principal products or services and their markets: BioElectronics Corporation is the maker of inexpensive, drug–free, anti-inflammatory medical devices and patches; its primary SIC code is 3845. The Company's wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™, RecoveryRx™ and HealFast™.

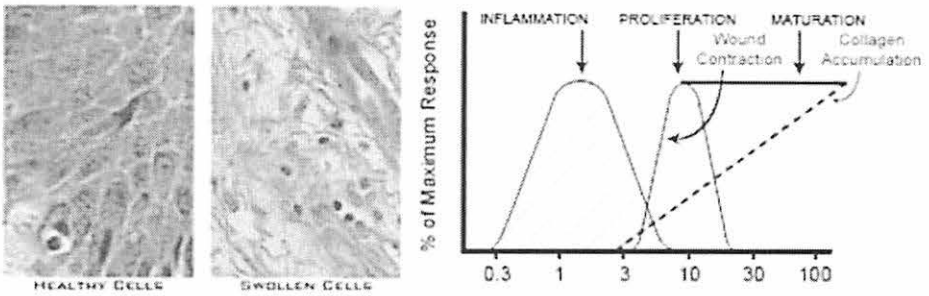
The dermal patch delivery system creates a multitude of new product opportunities for chronic and acute inflammatory conditions. The market potential is estimated at $10 billion or 400 million incidents worldwide, according to a study titled "Report on BioElectronics, Corp. – Sizing the Market Opportunity and Assessing Possible Outcomes for the Company." The current market for medical devices is ⅓ United States, ⅓ Europe, and ⅓ Asia. The distinctive value proposition of the device is the delivery of drug-free therapy that reduces pain and inflammation and accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The current major applications are:

- Medical Surgeries
- Chronic Wounds
- Oral Surgeries
- Sprains and Strains
- Lower Back Pain
- Chronic Repetitive Stress Injuries, Heel Pain, Carpal Tunnel, Bursitis, etc.

The Company manufactures a medical device that reduces inflammation without the use of drugs, topical ointments, heat or cold therapy. Inflammation occurs following a variety of insults such as surgery, lacerations of the skin and soft tissues, sprains and strains, (including those of the low back), repetitive stress injuries such as plantar fasciitis, carpal tunnel syndrome, and tennis elbow. The Company has branded its device for many applications and separated the market for the products into four distinct segments- retail products designed for consumer use, a women's health product, medical professional products and veterinary use products.

How the device works:

The body's natural response to soft tissue trauma is a localized inflammatory reaction. The damaged cells separate to prevent the transmission of infection. The cells leak fluid and cellular components break down while the cellular debris causes inflammation, swelling and pain.



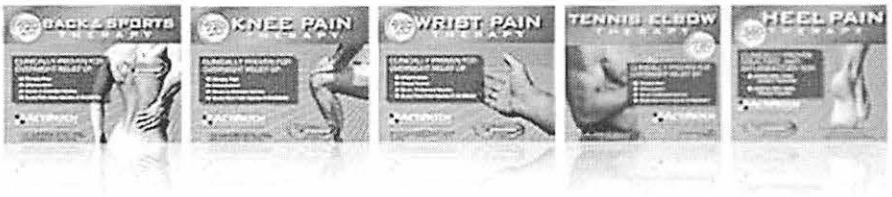
This inflammatory response, which has a physiologic protective action, in fact creates an environment in which the healing process is actually prolonged or stalled in chronic wounds.

The devices use proven medical technology to truncate the body's inflammatory response (i.e. breaks the cycle of chronic inflammation). It does this by delivering pulsed electromagnetic energy directly to the affected area and driving out the edematous fluid along with byproducts of the damaged tissue. This provides a well-demonstrated and significant overall improvement in the restorative and recovery process following injury. As a result the pain associated with soft tissue injury is often substantially reduced.

The Retail Products and Market

The Company has developed distinct retail treatment kits.

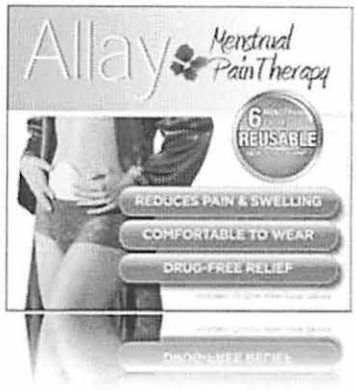
Five kits are marketed as ActiPatch® Therapy for Pain - for Back, Knee, Wrist, Tennis Elbow, and Heel Pain. The kits are unique to the market as drug free, anti-inflammatory therapeutic agents that rapidly and safely reduce pain, swelling and healing times.



Each retail kit is designed for either 360 or 720 hours of use and includes a free extremity wrap and an unconditional money back guarantee. Priced at $39.95, the cost benefit of these kits is an overwhelming sales proposition. These products are currently available in the retail environment in Canada and Europe.

Women's Health Product and Market

The Allay™ Menstrual Pain Therapy kit addresses dysmenorrhea, the painful monthly cramps experienced by 40% of women during sometime in their life. The market for drug-free relief is enormous. Current treatment such as heat pads and medications such as NSAIDs are not as effective, nor as safe.



Medical Professionals Market

The Company has been marketing to the U.S. medical market for almost three years. Most of the past sales efforts have centered on plastic surgery and podiatry. Sales increases have been very slow, partly due to the lack of clinical evidence, partly due to the lack of a skilled sales force and partly due to less than desirable product design. In 2008, the Company redesigned the product line, refocused on the plastic surgery, Orthopedic and Sports Medicine markets and branded this line under the trademark name RecoveryRx™. This current product line consists of five distinct kits:

- Jaw Surgery Recovery Kit
- General Surgery Recovery Kit
- Breast Recovery Kit
- C-Section Recovery Kit
- Eye Surgery Recovery Kit

Also in development are products for hernias and other surgeries including Dental and Oral surgery. Additionally, the medical products are being used and tested for eye disease, noses surgeries, skin grafts, and wound care. Finally, the Company recently obtained reimbursement approval from the Maryland state Medicaid program for kidney compromised patients, and we believe that we can also obtain reimbursement for cardiovascular and diabetic patients.

The Veterinary Market

The Company has a distribution agreement with eMarkets Group of North Caldwell, New Jersey. The products are marketed under the trade names HealFast and the HealFast PetPatch. The products are a drug-free therapy for horses, cats and dogs that reduce swelling and pain, while speeding healing of muscle and tendon injuries, sores and incisions. There are currently approximately 162 million companion animals in the United States and about 7 million horses.

b. Distribution methods of the products or services: Most of the sales are through distribution agreements with companies which sell items on a wholesale basis to retail outlets, such as drug stores and medical supply outlets.

c. Status of any publicly announced new product or service: During 2009, our focus was on developing product, obtaining additional domestic and international distribution channels, conducting market research, completing additional clinical trials, eliminating debt, and strengthening the balance sheet. The motivations for continued clinical trials are marketing enrichment and obtaining additional U.S. Food and Drug Administration (FDA) approved therapeutic indications for existing and future products. Securing additional U.S. FDA approval is central to market entry and product acceptance. Below are listed currently planned or underway clinical studies:

Plantar Fasciitis (Heel Pain) Study – Chief Investigator, Joel Brook, D.P.M. – A double-blind randomized study spanning a 7-day treatment period. Subjects recorded pain levels using a Visual Analogue Scale (VAS). Subjects also kept a log of medication taken during the 7-day treatment period. Clinical data demonstrated a reduction in pain in the active ActiPatch group and a large clinically significant different in pain medication usage. The active ActiPatch group took 55% less medication taken than the placebo ActiPatch group.

Delayed Onset Muscle Soreness Study – Chief Investigator, Sheena Kong, M.D. - This was an observational study to evaluate the treatment of Delayed Onset Muscle Soreness (DOMS). After a vigorous resistance training exercise regiment designed to induce DOMS, 102 study participants were placed into one of three groups: 1) a control group; 2) a group that utilized the ActiPatch device; and 3) a group that received over-the-counter strength acetaminophen in the form of Extra Strength Tylenol after a vigorous resistance training exercise regiment designed to induce DOMS. The data yielded by this study appears to demonstrate that the use of ActiPatch for the treatment of Delayed Onset Muscle Soreness (DOMS) is both safe and effective. Additionally, the data yielded by the study appears to demonstrate that the continuous use of ActiPatch will result in significantly less DOMS-related pain and muscle soreness compared to a treatment regiment consisting of an OTC dosage of acetaminophen.

Primary Dysmenorrhea (Menstrual Pain) Study – Primary Investigator, Barry Eppley, M.D.D.M.D. – This clinical study was a placebo controlled, double-blind, prospective randomized trial comparing the efficacy and effectiveness of an active Allay device to an inactive (placebo) Allay device. The primary outcome measure was reduction of menstrual pain in comparison with prior baseline scores. The intensity of pain was measured using a VAS. Of the active group, 77.1% reported either complete elimination or reduction in their typical menstrual pain symptoms. Allay was demonstrated to be a safe and effective drug-free method for the treatment of primary dysmenorrhea. It may be used as a primary treatment method for those women with moderate dysmenorrhea who prefer not to take oral medication. In more severe cases of dysmenorrhea, it could be an adjuvant treatment to reduce the amount of oral medications needed. Further controlled clinical studies are needed for further evaluation.

d. Competitive business conditions and the smaller reporting company's competitive position in the industry and methods of competition: The manufacture, distribution and sale of medical devices and equipment designed to relieve swelling and pain or to treat chronic wounds is competitive and some of the Company's competitors possess significant product sales, and greater experience, financial resources, operating history and marketing capabilities than us. For example, Diapulse Corporation of America, Inc. manufactures and markets devices that are deemed by the U.S. FDA to be substantially equivalent to some of the Company's products. Regenesis Biomedical and Ivivi Technologies also manufacture and market devices that deliver PEMF therapy. A number of other manufacturers, both domestic and foreign, and distributors market shortwave diathermy devices that produce deep tissue heat and may be used for the treatment of certain of the medical conditions that the Company's products are used for. The Company's products may also compete with pain relief drugs and pain relief medical devices, as well as other forms of treatment.

The Company's ability to compete effectively with other companies is materially dependent upon the proprietary nature of its technologies. We rely primarily on patents and trade secrets to protect our technologies. There can be no assurance that the Company will not be required to resort to litigation to protect its patented technologies and other proprietary rights or that we will not be the subject of additional patent litigation to defend its existing and proposed products and processes against claims of patent infringement or any other intellectual property claims. Such litigation could result in substantial costs, diversion of management's attention, and diversion of Company resources.

The Company strives to protect its trade secrets, including the processes, concepts, ideas and documentation associated with our technologies, through the use of confidentiality agreements and non-competition agreements with our current employees and with other parties to whom we have divulged such trade secrets. If our employees or other parties breach our confidentiality agreements and non-competition agreements or if these agreements are not sufficient to protect our technology or are found to be unenforceable, our competitors could acquire and use information that we consider to be our trade secrets, and we may not be able to compete effectively. Some of the Company's competitors have substantially greater financial, marketing, technical and manufacturing resources, and we may not be profitable if our competitors are also able to take advantage of our trade secrets.

The Company may decide for business reasons to retain certain knowledge that it considers proprietary as confidential and elect to protect such information as a trade secret, as business confidential information or as know-how. In that event, the Company must rely upon trade secrets, know-how, confidentiality and non-disclosure agreements and continuing technological innovation to maintain our competitive position. There can be no assurance that others will not independently develop substantially equivalent proprietary information or otherwise gain access to or disclose such information.

The Company's ability to commercially exploit its products must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the development of new medical devices and products. We believe that in order to continue to be competitive, we need to develop and maintain sufficient market share. Our methods of competition include continuing our efforts to develop and sell products, which, when compared to existing products, perform more efficiently and are available at prices that are acceptable to the market; displaying our products and providing associated literature at major industry trade shows; and pursuing alliance opportunities for the distribution of our products. We further believe that our competitive advantages with respect to our products include: the clinical efficacy of our technology and products, the benefits of treatments utilizing our products, which include treatments that are non-invasive and painless, are free from known side-effects and are not susceptible to overdose or abuse, do not require special training to implement, may be applied to any part of the body; and the relevant experience of the members of our consultants including, among others, Dr. David Genecov, an internationally recognized surgeon, and Dr. Kenneth McLeoad, a principal innovator in PEMF technology.

e. **Sources and availability of raw materials and the names of principal suppliers:** The raw materials used as components in Company's products, mainly bandaging material and electronic circuit boards, are readily available worldwide. The Company's manufacturers work on behalf of many similar companies, and possess additional capacity to fulfill Company's anticipated needs.

f. **Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including duration:** The rights to the technology and patents supporting the development of the current product line were acquired by BioElectronics in 2000. Prior to that time, the previous owners of the technology and patents had invested over $4.65 million in electronic engineering prototypes, production runs, and in confirming clinical studies. The Company has been issued U.S. Patent #7551957B2 and has additional patents pending in the United States and worldwide.

g. **Need for any government approval of principal products or services. If government approval is necessary and the smaller reporting company has not yet received that approval, discuss the status of the approval within the government approval process:**

- The Company was granted its first approval from the U.S. FDA under a 510(k) in August 2002. Prior to U.S. FDA approval and the establishment of its research and development group, PAW, LLC (the family of Andrew Whelan, President) paid and expensed the cost of development.

- In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.

- In early 2008, the Company redesigned its product and manufacturing process and established new disease specific products and distinct medical and retail product lines. It also shifted its attention to international sales.

Generally during its history, with regard to its efforts in 2009 and beyond, the Company cannot assure that it will be successful in obtaining U.S. FDA clearance, and without such clearance, we will be unable to enter the relief of pain and discomfort associated with primary dysmenorrhea market in the United States. There are numerous medications used in the treatment of pain and discomfort associated with primary dysmenorrhea, and if we receive clearance to market this product, we intend to offer it as an alternative to such medications. These commonplace medications have been required to carry warning labels due to potential dangerous side-effects (and some withdrawn altogether), as compared to our non-invasive, drug-free alternative device with no known side-effects.

h. Effect of existing or probable governmental regulations on the business: After a device is placed on the market, within the United States, numerous regulatory requirements apply. These include:

- Ø Quality System Regulations, or QSR, which require finished device manufacturers, including contract manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;

- Ø labeling regulations and U.S. FDA prohibitions against the promotion of products for uncleared, unapproved or "off-label" uses;

- Ø medical device reporting regulations, which require that manufacturers report to the U.S. FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of that or a similar company device were to recur; and

- Ø post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

The U.S. FDA has broad post-market and regulatory enforcement powers. The Company is subject to unannounced inspections by the U.S. FDA to determine the Company's compliance with the QSR and other regulations, and these inspections include the manufacturing facilities of BioElectronics Corporation. Our location has been registered with the U.S. FDA as a Medical Device establishment. Such registration is renewable annually, and although we do not believe that the registration will fail to be renewed by the U.S. FDA, there can be no assurance of such renewal. The failure of the Company to obtain any annual renewal would have a material adverse effect on us.

Failure to comply with applicable regulatory requirements can result in enforcement action by the U.S. FDA or the Department of Justice, which may include any of the following sanctions, among others:

- Ø fines, injunctions and civil penalties;
- Ø mandatory recall or seizure of our products;
- Ø operating restrictions and partial suspension or total shutdown of production;
- Ø refusing our requests for 510(k) clearance or pre-market approval of new products or new intended uses;
- Ø withdrawing 510(k) clearance or pre-market approvals that are already granted; and
- Ø criminal prosecution.

The U.S. FDA also has the authority to require us to repair, replace or refund the cost of any medical device that has been manufactured for us or distributed by us. If any of these events were to occur, they could have a material adverse effect on our business. We also are subject to a wide range of federal, state and local laws and regulations, including those related to the environment, health and safety, land use and quality assurance. We believe that we are in complete compliance with these laws and regulations as currently in effect, and our compliance with such laws will not have a material adverse effect on our capital expenditures, earnings and competitive and financial position.

The primary regulatory environment in Europe is that of the European Union, which consists of 27 countries encompassing most of the major countries in Europe. Three member states of the European Free Trade Association have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. Other countries, such as Switzerland, have entered into Mutual Recognition Agreements and allow the marketing of medical devices that meet European Union requirements.

The European Union has adopted numerous directives and European Standardization Committees have promulgated voluntary standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear a CE conformity marking (which stands for *Conformite Europeenne*), indicating that the device conforms with the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the member states of the European Union, the member states of the European Free Trade Association and countries which have entered into a Mutual Recognition Agreement. The method of assessing conformity varies depending on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer of the product and a third-party assessment by a Notified Body, an independent and neutral institution appointed by a country to conduct the conformity assessment. This third-party assessment may consist of an audit of the manufacturer's quality system and specific testing of the manufacturer's device. An assessment by a Notified Body in one member state of the European Union, the European Free Trade Association or one country which has entered into a Mutual Recognition Agreement is required in order for a manufacturer to commercially distribute the product throughout these countries. ISO 9001 and ISO 13845 certifications are voluntary harmonized standards. Compliance establishes the presumption of conformity with the essential requirements for a CE Marking.

i. **Estimate of the amount spent during each of the last two fiscal years on research and development activities, and if applicable, the extent to which the cost of such activities is borne directly by customers:** The Company's R&D costs have been minimal. New product research and development is done by in-house engineers and a consulting biophysicist

j. **Number of total employees and number of full-time employees:** Currently, the Company employs 9 full time staff members and contracts for consulting services with an additional 3 persons. None of the Company's employees are represented by unions or collective bargaining agreements. We believe that our relationships with our employees are good.

3. Reports to security holders. The following will be disclosed in any registration statement the Company files under the Securities Act of 1933:

i. Though not required to deliver an annual report to security holders, the Company will voluntarily send an annual report, which will include audited financial statements;

ii. The Company has voluntarily agreed to become a reporting company with the Securities and Exchange Commission and subject to its reporting requirements, including the filing of periodic reports and any other required information;

iii. That the public may read and copy any materials file by the Company with the Commission at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. State that the public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission and state the address of that site (http://www.sec.gov). The Company maintains its own website at http://www.BIELCorp.com, where it will also post this information.

ITEM 1A. RISK FACTORS. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

ITEM 1B. UNRESOLVED STAFF COMMENTS. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

ITEM 2. PROPERTIES. The Company's principal corporate office is located at 4539 Metropolitan Court, Frederick, Maryland 21704 where it leases approximately 3,000 square feet. The Company uses approximately 1,600 square feet for its production and packaging facility and 1,400 square feet for its executive offices. The approximate rental amount is $5,800 per month. The lease term expires in 2011.

ITEM 3. LEGAL PROCEEDINGS.

The Company and Andrew Whelan, President & CEO are defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claims that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was submitted to arbitration at which the plaintiff prevailed and a judgment was entered against BioElectronics Corporation, PAW, LLC and Andrew Whelan in the amount of $1,217,919.10. The Company and Mr. Whelan have filed a Petition to Vacate Arbitration Award. As of this date, there has been no ruling on the motion. The Company believes the plaintiff's claims to be without merit and the arbitrator's decision to have been possible only by a manifest disregard of the law. The Company intends to defend the lawsuit and pursue any counterclaims vigorously.

ITEM 4 (REMOVED AND RESERVED). Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market for Securities

The Company's common stock currently trades via PinkSheets at http://www.OTCMarkets.com, under the symbol BIEL. The high and low closing price for each quarterly period of our last two fiscal years is listed below:

	High	Low
Fiscal 2008		
1 st Quarter	$ 0.054	$ 0.0255
2 nd Quarter	0.045	0.02
3 rd Quarter	0.0224	0.006
4 th Quarter	0.0125	0.0037
Fiscal 2009		
1 st Quarter	$ 0.0045	$ 0.001
2 nd Quarter	0.049	0.0011
3 rd Quarter	0.12	0.021
4 th Quarter	0.103	0.04

* The quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not represent actual transactions.

Penny Stock Considerations

The Company's shares will be "penny stocks" as that term is generally defined in the Securities Exchange Act of 1934 to mean equity securities with a price of less than $5.00. Our shares thus will be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or accredited investor must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of $1,000,000 or annual income exceeding $100,000 individually or $300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

* Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commissions relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;

* Disclose commissions payable to the broker-dealer and our registered representatives and current bid and offer quotations for the securities;

* Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and

* Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling stockholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of our securities, if our securities become publicly traded. In addition, the liquidity for our securities may be decreased, with a corresponding decrease in the price of our securities. Our shares in all probability will be subject to such penny stock rules and our stockholders will, in all likelihood, find it difficult to sell their securities.

Holders

As of December 31, 2009, the Company had 16,011 holders of record of its common stock.

Securities as Compensation

The Company effected multiple transactions using its Common Stock as compensation in 2009, 2008 and 2007 to non-employees pursuant to consulting services agreements. These issuances were made in reliance upon Section 4(2) of the Securities Act of 1933. The mandated tabular disclosure is contained in Item 12, *infra*, and an explanatory schedule is contained in Item 15, *infra*.

Dividends

The Company has not declared any cash dividends on our common stock since its inception and do not anticipate paying such dividends in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payments of dividends will depend on our earnings and financial position and such other facts, as the board of directors deems relevant.

Recent Sales of Unregistered Securities

In years of 2007, 2008 and 2009, the Company sold unregistered securities, the proceeds of which were used for day-to-day operating capital, by filing Form D Notice of Sale of Securities Pursuant to Regulation D, Section 4(6) and/or Uniform Limited Offering Exemption with the Securities and Exchange Commission. There was no underwriter related to the transactions, nor any commissions paid. A schedule of these series of transactions is provided in exhibit contained in Item 15, *infra*.

ITEM 6. SELECTED FINANCIAL DATA. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Form 10-K may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve a number of risks and uncertainties including, without limitation, those identified under Item 1A. "Risk Factors" and elsewhere in this Form 10-K. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the SEC that attempt to advise interested parties of the risks and factors that may affect our business.

INTRODUCTION

We are the maker of inexpensive, drug–free, anti-inflammatory medical devices and patches. Our wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. We market and sell our products under the brand names ActiPatch®, Allay™, RecoveryRx™ and HealFast™.

During 2009, our focus was on developing product, obtaining additional domestic and international distribution channels, conducting market research, completing additional clinical trials, eliminating debt, and strengthening the balance sheet. The motivations for continued clinical trials are marketing enrichment and obtaining additional U.S. Food and Drug Administration (FDA) approved therapeutic indications for existing and future products. Securing additional U.S. FDA approval is central to market entry and product acceptance.

Our customers include pharmacies, supermarkets, physicians, direct response television and distributors. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. Consequently, until additional clearances are received from the U.S. FDA, domestic sales are restricted primarily to medical providers, and the majority of sales will be located outside the United States. As of December 31, 2009, we have established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Italy, Scandinavia, Saudi Arabia, Japan, Benelux, the Balkans, Austria, Australia, China and South America. The international market is expected to further expand going forward and to eventually constitute two-thirds of our total sales.

MAJOR GOALS, SIGNIFICANT ACTIVITIES AND RESULTS DURING 2009

BioElectronics' operational plan is centered on marketing oriented functions. We believe our product set is very strong, our quality is very high, our ISO-certified production capabilities are extensive, and our Company is structured for accelerated growth. Over the past 24 months, the Company has significantly strengthened its product lines, improved product quality, created new packaging, and redesigned marketing materials. During the year ended December 31, 2009, we reduced our level of debt, improved our cash position and significantly reduced our overhead expenses. We believe we now have a robust product line with strong features and functions and are taking further actions to strengthen our balance sheet and establish profitable operations.

We have several major goals to continue the advancement of its business operations, including: 1) completing additional clinical trials; 2) obtaining additional U.S. FDA and international product market clearances; 3) continuing to build our four primary brands; 4) building domestic distribution, including direct response television commercials and drug/grocery store-based distribution; and 5) continuing to expand our already growing international distribution network.

Completion of Clinical Trials

We have been aggressively pursuing the completion of several clinical trials. Our heel/foot clinical trial was recently conducted in October 2009 yielding a strong product advocacy and 100% safety. Future additional clinical trials include: cesarean section recovery, breast augmentation recovery, and menstrual pain and cramping associated dysmenorrhea. Our international distribution groups also sponsored other clinical trials. Upon completion of these studies, the data may be used in U.S. FDA submissions and to support our marketing claims both domestically and abroad.

Additional U.S. Government FDA and International Regulatory Body Filings

Our product is currently classified as a high risk, Class III device. We have U.S. FDA market clearance for the treatment of edema following blepharoplasty. We have filed two additional 510(k) market clearance applications for "relief of musculoskeletal pain" and "relief of menstrual cycle pain and discomfort" for over-the-counter sales. Even though the U.S. FDA is reluctant to give us over-the-counter clearance for a Class III device, we are currently pursuing both reclassification and approval of the pending applications. As we expand internationally, we are required to and do obtain additional market clearance in each country.

Continue to Build Our Four Primary Markets

We augmented our marketing team in 2009 with two experienced Brand Managers to help build our brands. In the coming months, we plan to add additional brand management staff to further assist our marketing efforts.

Because BioElectronics has only limited U.S. FDA clearance of its products, mass distribution to direct consumers in the United States is prohibited. We believe U.S. FDA clearance for some of our products is forthcoming, and thus, we are currently in the process of identifying and building a domestic distribution network.

Continued Expansion of Our Already Growing International Distribution Network

BioElectronics has made steady, significant progress in building an international distribution network. Due to the Company obtaining over-the-counter sales approval for its products in Canada, Europe and other markets, it has had regular interest from international distribution companies to market and distribute the product lines. Our strategy has been to partner with distributors that have the experience and financial ability to place our products into the consumer goods retail sales channels. We have seen success in executing this strategy relative to Canada, Western Europe and Italy. As retail distribution is a core strategy, the Company is regularly in negotiations with existing and future distributors, and hopes to sign additional contracts with qualified distributors in Asia, Europe, South/Central America and Australia.

As part of its intent to regularly expand the distribution of its products, BioElectronics in 2009 expanded its television presence around the world via the international Direct Response Televisions (DRTV) campaign. To establish its DRTV program, the Company has developed television materials produced by leading companies it has retained (Schulberg Media Works for English-speaking markets, and RC Productions for Hispanic markets) for both the Actipatch Back Pain product and the Allay Menstrual Pain Therapy product. Subsequently, the commercials are extremely helpful with establishing partnerships with major DRTV companies to test our products in many countries. The Company contracted with TeleDEPOT in Latin America, where it completed a very successful test in some of the countries. In Canada, we are partnering with Northern Response, one of the world's largest DRTV companies. Northern Response is also looking for further opportunities in six additional international locations that show interest in our products. The Canadian test is scheduled to begin on April 5, 2010. In Australia and New Zealand, Brand Developers will test the Back Pain commercial.

Other Issues Relative to Plan of Operations

Cash Requirements - BioElectronics is currently in a strong current asset position with its current assets significantly exceeding current liabilities, yielding a current ratio well above one. As is typical for most growth companies, BioElectronics may, in the future, need to raise additional funds to finance its working capital requirements. It is unknown at this time how much, if any, additional funds will be needed to execute our business plan, as it is highly dependent upon our sales growth trajectory over the coming quarters.

Research and Development – Our technologies are already highly developed and many of our products are currently on the international market. We are designing several new products based on our core technologies with developmental costs being financed through normal cash flows.

Expected Purchase or Sale of Plant and Significant Equipment - BioElectronics does not anticipate any major purchases or sales of plant or significant equipment.

Expected Changes in the Number of Employees - We are currently recruiting new talent, and it is expected the majority of our hiring will focus on marketing personnel, although our support and manufacturing staff will also be expanded. Our hiring plans are dependent upon revenue growth rates over the coming quarters.

RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, "Development Stage Enterprise", and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000, to December 31, 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue. Revenue from operations for the years ended December 31, 2009 and 2008 amounted to approximately $1,146,000 and $717,000, respectively, an increase of $429,000 or 60% over the prior year. The following table summarizes the company's domestic, international and veterinary (related party) revenues earned during the years ended December 31, 2009 and 2008:

	For the Years Ended December 31,			
	2009		2008	
	Amounts	Percentage	Amounts	Percentage
Domestic	$ 263,815	23%	$ 254,927	36%
International	610,785	53%	461,828	64%
Veterinary	271,047	24%	-	-
	$ 1,145,647	**100%**	**$ 716,755**	**100%**

International sales increased by approximately $149,000 or 32% in 2009 from 2008 as a result of new distributorship agreements signed in 2009 and increased sales through agreements signed in prior years. Revenues from international sales for the year ended December 31, 2009 include $150,000 of sales related to a bill and hold transaction. The units will be shipped in 2010 to help meet the distribution 2010 purchase obligation.

Veterinary revenues of $271,047 were recorded in connection with a distribution agreement signed on February 9, 2009 with eMarkets, a company owned and controlled by a member of the board of directors and sister of our president. The agreement provides for eMarkets to be the exclusive distributor of our veterinary products to customers in certain countries outside of the United States for a period of three years. The specialized veterinary products sold to eMarkets include approximately $216,000 of revenues related to bill and hold transactions and for which the related product is expected to be delivered during the fourth quarter of 2010.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the years ended December 31, 2009 and 2008 amounted to approximately $390,000 and $509,000, respectively. Gross margin increased from approximately 29% of sales for the year ended December 31, 2008 to approximately 66% for the year ended December 31, 2009. The increase was the result of higher sales prices per unit, lower production costs (which arose primarily from improvements in productivity) and a substantially lower defect rate. We expect gross margins on our products to be in the range of 66% to 70% of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. For the year ended December 31, 2009, general and administrative expenses amounted to approximately $904,000 as compared to $2,040,000 in 2008, a decrease of $1,136,000 or 56% over the prior year. The decrease in general and administrative expenses in 2009 was primarily driven by reduced consulting expenses.

General and administrative expenses of approximately $904,000 for the year ended December 31, 2009 included approximately $147,000 in sales support expenses, approximately $34,000 in consulting expense, approximately $15,000 in depreciation and approximately $709,000 in other general and administrative expenses.

General and administrative expenses of approximately $2,040,000 for the year ended December 31, 2008, consisted of approximately $439,000 in sales support expenses, approximately $551,000 in consulting expense, approximately $15,000 in depreciation and $1,035,000 in other general and administrative expenses.

Interest Expense. Interest expense decreased to approximately $111,000 for the year ended December 31, 2009 from $192,000 in the comparable period in 2008. The decrease in interest expense was attributed to the payoff of senior secured convertible notes, during the year ended 2009.

Net Loss. Net losses decreased from approximately $2,024,000 during 2008 to approximately $260,000 during 2009. Losses were minimized primarily due to a significant increase in sales and reduction in costs.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue. Revenue from operations for the years ended December 31, 2008 and 2007 were approximately $717,000 and $603,000, respectively, an increase of $114,000 or 19% over the prior year. The following table summarizes the company's domestic and international revenues earned during the years ended December 31, 2008 and 2007:

	For the Years Ended December 31,			
	2008		2007	
	Amounts	Percentage	Amounts	Percentage
Domestic	$ 254,927	36%	$ 232,871	39%
International	461,828	64%	370,239	61%
	$ 716,755	**100%**	**$ 603,110**	**100%**

The primary contributor to the increase in revenue is continued expansion of international and domestic markets.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the years ended December 31, 2008 and 2007 were approximately $509,000 and $170,000, respectively. Gross margin decreased from 72% for the year ended December 31, 2007 to 29% for the year ended December 31, 2008, as a result of higher production costs which arose primarily from improvements in product design and packaging.

General and Administrative Expense. For the year ended December 31, 2008, general and administrative expenses amounted to approximately $2,040,000 as compared to $1,818,000 in 2007, an increase of $222,000 or 12% over the prior year. The slight increase in general and administrative expenses in 2008 was primarily driven by the increase in sales support expenses and payroll expense related to the hiring of vice president in international sales.

General and administrative expenses of approximately $2,040,000 for the year ended December 31, 2008 consisted of approximately $439,000 in sales support expenses, approximately $551,000 in consulting expense, approximately $15,000 in depreciation and $1,035,000 in other general and administrative expenses.

General and administrative expenses of approximately $1,818,000 for the year ended December 31, 2007 consisted of approximately $343,000 in sales support expenses, approximately $543,000 in consulting expense, approximately $19,000 in depreciation and approximately $912,000 in other general and administrative expenses.

Interest Expense. Interest expense decreased to approximately $192,000 for the year ended December 31, 2008 from $588,000 in the comparable period in 2007. The increase in interest expense was primarily attributable to the amortization of discount on warrants of approximately $351,000, as related to the senior convertible notes agreement. Such expense was fully amortized by the end of December 31, 2007.

Net Loss. Net losses increased slightly from approximately $2,003,000 during 2007 to approximately $2,024,000 during 2008. This slight increase is due to lower gross margin and higher general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds are primarily cash flows from financing activities. We raise funds for our operations by borrowing on notes, agreements with third parties and related parties, and selling equity in the capital markets. We are still operating as a development stage company, in which we are devoting substantially all of our present efforts to developing our business. For every year since our inception, we have generated negative cash flow from operations. At December 31, 2009, our cash and cash equivalents were approximately $296,000. Since the end of fiscal 2008, the increase of approximately $241,000 in our cash and cash equivalents resulted primarily from the issuance of related party notes payable during the year.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members, and their immediate family and associates. As of December 31, 2009, all of the Company's financing was provided by these related parties through long-term notes payable. We present these notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts.

At December 31, 2009, we had positive working capital of approximately $1,026,000 as compared to negative working capital of approximately $1,164,000 at December 31, 2008. The negative working capital at December 31, 2008 arose due to the low level of current assets (which was the result of low level of sales and higher expenses to that date), and balances due to suppliers (reported as accounts payable and accrued expenses) and under our senior secured notes payable. The senior secured convertible notes were repaid and converted to equity in 2009.

On January 1, 2005, we entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of our common stock. The Revolver is convertible at various conversion prices based on the VWAP for the 10 trading days preceding the date of conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. As of December 31, 2009, an amount of approximately $1,288,000 was drawn from the Revolver.

Additionally, on August 1, 2009, we entered into a convertible promissory note agreement with IBEX, for $519,920, with simple interest at 8% per annum. All accrued interest and principal are due on or before August 31, 2011, whether by the payment of cash or by conversion into shares of our common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $0.019 per share.

Net Cash Used In Operating Activities. Net cash used in operating activities amounted to approximately $1,363,000, $521,000 and $1,335,000 in the years ended December 31, 2009, 2008 and 2007, respectively.

Net cash used in operating activities of approximately $1,363,000 in the year ended December 31, 2009 was primarily because of the increase in trade and other receivables of approximately $333,000, decrease in accrued expenses of approximately $216,000, decrease in accounts payable of approximately $181,000, increase in due from related party of approximately $165,000, and increase in inventory of approximately $136,000. Non-cash reconciling items mainly include stock-based compensation expense of approximately $243,000 and adjustment to related party notes payable of approximately $266,000.

Net cash used in operating activities of approximately $521,000 in the year ended December 31, 2008 was primarily because of the decrease in trade and other receivables of approximately $130,000, increase in accrued expenses of approximately $261,000, decrease in inventory of approximately $126,000, and increase in customer deposits of approximately $119,000. Non-cash reconciling items mainly include stock-based compensation expense of approximately $400,000 and approximately $247,000 increase in related party notes payable for services rendered.

Net cash used in operating activities of approximately $1,335,000 in the year ended December 31, 2007 was primarily because of the increase in inventory of approximately $128,000 and decrease in accounts payable of approximately $148,000. Non-cash reconciling items mainly include amortization of non-cash debt issuance costs of approximately $351,000, non-cash interest related to convertible notes payable of approximately $205,000 and increase in related party notes payable for services rendered of approximately $309,000.

Net Cash Used in Investing Activities. We did not make any significant investments in fixed or other long-term assets during the years ended December 31, 2009, 2008, and 2007 and therefore, did not have any substantial cash flows from investing activities.

Net Cash Provided by Financing Activities. Net cash provided by financing activities amounted to approximately $1,604,000 and $547,000 in the years ended December 31, 2009 and December 31, 2008, respectively.

During the year ended December 31, 2009, the Company generated $2,597,860 in cash from financing activities through the issuance of notes payable to related parties (amounting to $1,725,360) and the sale of common shares to investors (amounting to $872,500). The proceeds received from these activities were used to repay certain notes payable (amounting to $994,025) and to fund operations during the year.

During the year ended December 31, 2008, the company generated $547,021 in cash from financing activities through the issuance of notes payable to related parties (amounting to $461,371) and the sale of common shares to investors (amounting to $198,250). The funds received were used to repay certain notes payable (amounting to $112,600) and to fund operations.

Net cash provided by financing activities for the year ended December 31, 2008 was approximately $547,000 compared to approximately $1,243,000 in 2007. The decrease of approximately $696,000 was primarily because of the reduction in proceeds obtained from related party notes payable by approximately $501,000.

Going concern. The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. We have incurred substantial losses from operations in 2009 and prior years, including a net loss of $259,977 for the year ended December 31, 2009. The Company also has an accumulated deficit as of December 31, 2009 of $10,644,490.

We are currently looking for additional financing to provide funds for operations and complete our developmental activities. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern. Our auditors have issued an opinion for the year ended December 31, 2009, which states that there is substantial doubt about our ability to continue as a going concern.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The following table reflects our current contractual commitments as of December 31, 2009:

	Payments Due by Period				
	Total	2010	2011-2012	2013-2014	Thereafter
Operating leases	$ 120,030	$ 60,895	$ 55,096	$ 4,039	$ —
Long-term liabilities [1]	1,824,176	—	536,222	—	1,287,954
Total contractual obligations	$ 1,944,206	$ 60,895	$ 591,318	$ 4,039	$ 1,287,954

(1) These liabilities represent the Revolver loan and the convertible promissory note with IBEX.

At December 31, 2009, we had available a $2,000,000 revolving credit facility with approximately $1,288,000 balance with IBEX, a related party. For additional information regarding our credit facility and operating leases, see Notes 7 and 12, respectively, of our financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions are based upon a combination of historical information and various other assumptions believed to be reasonable under the particular circumstances. Actual results could differ from those estimates. Certain of the accounting policies which most impact our consolidated financial statements and that require management to make difficult, subjective or complex judgments are described below. See also "Note 2. Summary of Significant Accounting Policies," to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

Development Stage Company

We devote substantially all of our present efforts to developing our business. One of our principal operations, to sell and market in the U.S. retail market, has not yet commenced as of December 31, 2009 pending U.S. FDA clearance approval. All losses accumulated since inception have been considered as part of our development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Revenue Recognition

We recognize revenue when evidence of an arrangement exists, such as the presence of an executed sales agreement, pricing is fixed and determinable, collection is reasonably assured and shipment has occurred or title of the goods has been transferred to our buyers. Payment is due on a net basis in 30 days. If the customer is deemed not credit worthy, payment in advance is required. Our agreement with customers includes a right of return. An allowance for returns has been provided for the years ended December 31, 2009, 2008 and 2007. Defective units are replaced at the request of the customer.

We enter into bill and hold arrangements from time-to-time with certain distributors, pursuant to which of our products are purchased by our distributor for shipment at a later date. We recognize revenue on bill and hold arrangements when the following 7 criteria have been met: 1) the risk of ownership has passed to the buyer; 2) the buyer has made a fixed commitment to purchase the goods, preferably in writing; 3) the buyer, and not the seller, has requested that the transaction is on a bill and hold basis; 4) there is a fixed schedule for delivery of the goods, indicating a delivery date that is reasonable and consistent with the buyer's business purpose; 5) the buyer has not retained any specific performance obligations such that the earnings process is not complete; 6) the ordered goods are segregated from the seller's inventory and is not being used to fill other orders; and 7) the product must be complete and ready for shipment. In addition, payment must be received and/or fixed payment dates be agreed with the customer pursuant to which the risk of collection is reduced to a minimal level.

Inventories

Our inventories consist of raw materials, supplies and finished goods. All inventories are valued at lower of average cost or market determined under the first-in, first-out method. We periodically review our inventories and identify items considered outdated or obsolete. Such items are reduced to their estimated net realizable value.

Issuance of stock in exchange for services received

We receive services from consultants and others in exchange for shares of our common stock. All issuances of our stock in exchange for services received are assigned a per share amount determined with reference to either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. Due to the low price and lack of trading in our stock, we believe that the fair value of the services received is more readily determinable, and therefore, we used it to record the related expense in the statement and value attributed to the common shares issued.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of the relevant authoritative guidance, in which the measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

NEW ACCOUNTING STANDARDS

Accounting Standards Codification

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the "Codification"). This standard replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes only two levels of U.S. generally accepted accounting principles ("GAAP"), authoritative and nonauthoritative. The FASB ASC has become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The adoption of the Codification changed our references to GAAP accounting standards but did not impact our results of operations, financial position or liquidity.

Participating Securities Granted in Share-Based Transactions

Effective January 1, 2009, we adopted a new accounting standard included in ASC 260, *Earnings Per Share* (formerly FASB Staff Position ("FSP") Emerging Issues Task Force ("EITF") 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities).* The new guidance clarifies that non-vested share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and included in basic earnings per share. Our adoption of the new accounting standard did not have a material effect on previously issued or current earnings per share.

Fair Value Measurement and Disclosure

Effective January 1, 2009, we adopted a new accounting standard included in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") (formerly FASB FSP No 157-2, *Effective Date of FASB Statement No. 157),* which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on our financial statements.

In April 2009, the FASB issued new guidance for determining when a transaction is not orderly and for estimating fair value when there has been a significant decrease in the volume and level of activity for an asset or liability. The new guidance, which is now part of ASC 820 (formerly FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*), requires disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, the presentation of the fair value hierarchy is required to be presented by major security type as described in ASC 320, *Investments — Debt and Equity Securities.* The provisions of the new standard were effective for interim periods ending after June 15, 2009. The adoption of the new standard on April 1, 2009 did not have a material effect on our financial statements.

In April 2009, we adopted a new accounting standard included in ASC 820, (formerly FSP 107-1 and Accounting Principles Board ("APB") 28-1, *Interim Disclosures about Fair Value of Financial Instruments).* The new standard requires disclosures of the fair value of financial instruments for interim reporting periods of publicly traded companies in addition to the annual disclosure required at year-end. The provisions of the new standard were effective for the interim periods ending after June 15, 2009. Our adoption of this new accounting standard did not have a material effect on our financial statements.

In August 2009, the FASB issued new guidance relating to the accounting for the fair value measurement of liabilities. The new guidance, which is now part of ASC 820, provides clarification that in certain circumstances in which a quoted price in an active market for the identical liability is not available, a company is required to measure fair value using one or more of the following valuation techniques: the quoted price of the identical liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of fair value measurements. The new guidance clarifies that a company is not required to include an adjustment for restrictions that prevent the transfer of the liability and if an adjustment is applied to the quoted price used in a valuation technique, the result is a Level 2 or 3 fair value measurement. The new guidance is effective for interim and annual periods beginning after August 27, 2009. Our adoption of the new guidance did not have a material effect on our financial statements.

Derivative Instruments and Hedging Activities

Effective January 1, 2009, we adopted a new accounting standard included in ASC 815, *Derivatives and Hedging* (SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133*). The new accounting standard requires enhanced disclosures about an entity's derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. Since the new accounting standard only required additional disclosure, the adoption did not impact our financial statements.

Other-Than-Temporary Impairments

In April 2009, the FASB issued new guidance for the accounting for other-than-temporary impairments. Under the new guidance, which is part of ASC 320, *Investments — Debt and Equity Securities* (formerly FSP 115-2 and 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments),* an other-than-temporary impairment is recognized when an entity has the intent to sell a debt security or when it is more likely than not that an entity will be required to sell the debt security before its anticipated recovery in value. The new guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities and is effective for interim and annual reporting periods ending after June 15, 2009. Our adoption of the new guidance did not have a material effect on our financial statements.

Subsequent Events

In May 2009, the FASB issued new guidance for subsequent events. The new guidance, which is part of ASC 855, *Subsequent Events* (formerly SFAS No. 165, *Subsequent Events)* is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The new guidance is effective for fiscal years and interim periods ended after June 15, 2009 and will be applied prospectively. Our adoption of the new guidance did not have a material effect on our financial statements. Management has evaluated the impact of events occurring after December 31, 2009 up to the date of issuance of these financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

INTEREST RATE AND FOREIGN EXCHANGE RISK

We are subject to interest rate risk on our notes payable and related party notes payable. We do not expect our business, results of operations, financial position or cash flows to be affected to any significant degree by a sudden change in market interest rates. We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all transactions in U.S. dollars, and, therefore, we have no foreign exchange risk.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all of our transactions in U.S. dollars and therefore do not have any foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited Financial Statements are contained pursuant to Item 15 of this Form 10-K, as Exhibit 99.

ITEM 9. CHANGES IN AND DISAGREEEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE. Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report on Form 10-K are certifications of our President and Chief Executive Officer ("CEO") which are required pursuant to Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section of this Annual Report on Form 10-K includes information concerning the controls and controls evaluation referenced in the certifications. This section of the Annual Report on Form 10-K should be read in conjunction with the certifications for a more complete understanding of the matters presented.

Evaluation of disclosure controls and procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K are recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our CEO and other management, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, our President and Chief Executive Officer after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, subject to the inherent limitations noted in this Part II, Item 9A, as of December 31, 2009, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Management's annual report on internal control over financial reporting

Management is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management evaluated, under the supervision and with the participation of our President and Chief Executive Officer, the effectiveness of our internal control over financial reporting as of December 31, 2009.

Based on its evaluation under the framework in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that our internal control over financial reporting was not effective as of December 31, 2009, due to the existence of significant deficiencies constituting material weaknesses, as described in greater detail below. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Limitations on Effectiveness of Controls

Our management, including our President and Chief Executive Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2009, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including,

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently only have one independent director on our board, which is comprised of three directors, and on our audit committee, which is comprised of one director. Although we are considered a controlled company, whereby a group holds more than 50% of the voting power and as such are not required to have a majority of our board of directors be independent, it is our intention to have a majority of independent directors in due course.

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the year ended December 31, 2009, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, ("Berenfeld, Spritzer"), with our Audit Committee with respect to Berenfeld, Spritzer's audit procedures for fiscal 2009, Berenfeld, Spritzer informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board ("PCAOB").

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2010 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described in this Annual Report on Form 10-K. Such remediation activities include the following:

- At an appropriate time, we will recruit one or more additional independent board members to join our board of directors. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.

- We will hire or engage additional qualified and experienced accounting personnel as necessary to review our quarter-end closing processes as well as provide additional oversight and supervision within the accounting department.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Controls over Financial Reporting

There were no significant changes in internal control over financial reporting during the fourth quarter of 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Richard Staelin, Ph. D	Age 70	Chairman of the Board, Director
Andrew Whelan	Age 65	President / CEO / Director / CFO
Mary Whelan	Age 57	Director

Richard Staelin, Ph. D., Chairman of the Board
Dr. Staelin joined the board in 2006. He is the Edward and Rose Donnell Chaired Professor of Business Administration at Duke's Fuqua School of Business and the President of Informs Society for Marketing Scientists. He was an Associate Dean at The Fuqua School of Business, Duke University for 10 years, past Executive Director of Marketing Science Institute and has held numerous positions at the American Marketing Association (AMA) and The Institute of Management Science (TIMS). He was an editor or an editorial board member of Marketing Science, Journal of Marketing Research, the Journal of Marketing, the Journal of Consumer Psychology and the Journal of Consumer Research. He has also consulted for the FDA and the FTC. At December 31, 2009, Dr. Staelin owns approximately 950,000 shares of BioElectronics common stock.

Andrew J. Whelan, CEO, CFO. President and Board Member
Mr. Whelan is a founder of the Company and has served as the President and Chairman of the Board of Directors since April 2000. He is a seasoned business executive with a strong financial, consulting and management background. From 1993 to April 2000, Mr. Whelan served as the President of P.A. Whelan & Company, Inc., a consulting firm owned by Mr. Whelan and his wife that specialized in the health care industry. Mr. Whelan was also a founder of Drug Counters, Inc., a chain of managed care retail pharmacies, where he served as President and Chief Executive Officer from 1992 until 1993. Drug Counters was sold to Diagnostek, Inc. in 1994. From 1984 until 1992, Mr. Whelan served as Chairman of the Board of Directors and President of Physicians' Pharmaceutical Services, Inc., a public company of which he was a founder. Physicians Pharmaceutical Services was a charter member of the Maryland Chapter of Inc's Fastest Growing Companies in America. Mr. Whelan received his B.S. in accounting from St. Peter's College. Mr. Whelan does not currently own BioElectronics common stock.

Mary K. Whelan, Board Member
Ms. Whelan has served as a director of the Company since April 2002. Ms. Whelan also served as Vice President - Marketing from September 2002 until July 2003 and as Secretary from February 2002 until September 2004. Ms. Whelan currently is Founder and CEO, Revalent Media, Inc., a mobile marketing company. She was previously EVP at mPhase Technologies. She worked more than 20 years at AT&T Corp., Lucent Technologies, Inc. and Bell Labs. During that time, Ms. Whelan successfully launched many high technology products. Ms. Whelan served as Vice President - eBusiness at Lucent Technologies. Prior to that, Ms. Whelan served as Lucent's Vice President - Strategic Communications and Market Operations, in which capacity she was responsible for Lucent Technologies' global marketing operations, including marketing communications and customer programs, and for the global sales support environment for the worldwide sales force. That environment included channel development, sales training, recognition and compensation. Ms. Whelan received extensive experience in all aspects of marketing and public relations at AT&T. She also had P&L responsibility for AT&T's Directory business. Ms. Whelan is the sister of Andrew Whelan. At December 31, 2009, eMarkets Group, owned by Ms. Whelan, beneficially owns approximately 2.3 million shares of BioElectronics common stock.

Involvement in certain legal proceedings. No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in the last five years in any of the following:

- Ø Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- Ø Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

- Ø Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and

- Ø Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Regulation S-K Item 405:

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under 17 CFR 240.16a-3(e) during its most recent fiscal year and Form 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and any written representation referred to in paragraph (b)(1) of this section, the Company is not aware of any director, officer, beneficial owner of more than ten percent of any class of equity securities of the Company registered pursuant to Section 12 that failed to file on a timely basis, as disclosed in the above Forms, reports required by Section 16(a) during the most recent fiscal year or prior years.

Regulation S-K Item 406:

The Company has adopted a written Code of Ethics applicable to its overall operations, including its principal executive, financial or accounting officer.

Regulation S-K Item 407(c)(3):

None.

Regulation S-K Item 407(d)(4) and (5):

The Company does not fulfill the requirements for this disclosure. However, the Company has an audit committee, consisting solely of Dr. Staelin.

ITEM 11. EXECUTIVE COMPENSATION.

2009 Summary Compensation Table

The following table sets forth the aggregate cash and other compensation paid, if any, for the years ended December 31, 2009 and 2008, to the Company's Principal Executive Officer and each of its other executive officers whose annual salary and non-equity incentive compensation for the fiscal years ended December 31, 2009 and 2008 exceeded $100,000 (the "Named Executive Officers").

Name and Principal Position	Year	Salary ($) (note 1)	Stock Awards ($) (note 1)	Option Awards ($) (note 1)	Non-Equity Incentive Plan Compensation ($) (note 2)	All Other Compensation ($) (note 1)	Total ($)
Andrew J. Whelan (1) (2) (3)	2009	—	—	—	—	150,000	150,000
President, Chief Executive Officer and Chief Financial Officer	2008	—	—	—	—	150,000	150,000

(1) Mr. Whelan is paid as an independent contractor for services provided. Mr. Whelan did not receive any stock awards, option awards, non-equity incentive plan compensation, employee benefits or other compensation of any type in respect of the years ended December 31, 2009 or 2008.

(2) Except for Mr. Whelan, the Company did not employ any other executive during the years ended December 31, 2009 and 2008, whose annual salary and non equity compensation for the years exceeded $100,000.

(3) During the years ended December 31, 2009 and 2008, the Company did not record any expense in its financial statements related to the issuance of stock options or equity compensation awards.

Narrative Disclosure to Summary Compensation Table

Employment Agreements

There is no written employment or similar agreement between the Company and Mr. Whelan.

Mr. Whelan is a founder of the Company and has served as the President, Chief Executive Officer, and Chief Financial Officer since April 2000. Mr. Whelan also served as the Chairman of the Board of Directors from April 2000 to July 2009, until such role was transferred to Richard Staelin. Following this date, Mr. Whelan serves as a member of the Board of Directors. Mr. Whelan was paid $150,000 for services provided during the years ended December 31, 2009 and 2008. Mr. Whelan did not receive any other types of compensation, such as stock or option awards, non-equity incentive plan compensation or other compensation for the years ended December 31, 2009 and 2008.

Material Terms of Option Grants and Grants of Restricted Stock

There were no option grants or grants of restricted stock to Mr. Whelan during the years ended December 31, 2009 and 2008.

Material Terms of Non-Equity Incentive Awards

There were no non-equity incentive awards granted to Mr. Whelan for the years ended December 31, 2009 and 2008.

ADDITIONAL COMPENSATION DISCLOSURE NARRATIVE

Retirement Benefits

The Company does not currently maintain or support a 401(k) or other defined contribution pension plan for any of its employees.

Executive Perquisites

The Company did not provide executive perquisites to Mr. Whelan during the years ended December 31, 2009 and 2008.

Post-Employment Compensation

The Company has not undertaken to provide any post-employment compensation or post-employment benefits of any type to Mr. Whelan, or any other executive, as of December 31, 2009.

The Company does not have any contract, agreement, plan of arrangement with Mr. Whelan that provides for payments to him at, following, or in connection with the executive's resignation, retirement or termination, a change in control if the issuer, or a change in the executive's responsibilities following a change in control.

2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table summarizes the unexercised options, nonvested stock and equity incentive plan awards outstanding and held by the Principal Executive Officer as of December 31, 2009:

	Option Awards				Stock Awards	
Name	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	No. of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Andrew J. Whelan	—	—	—	—	—	—

Notes:

(1) Mr. Whelan did not have any outstanding equity awards as of December 31, 2009.

DIRECTOR COMPENSATION

2009 DIRECTOR COMPENSATION TABLE

The following table sets forth the cash and noncash compensation paid to the Company's directors in respect of services provided during the year ended December 31, 2009:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (1)	Total ($)
Richard Staelin,	—	—	—	—
Andrew J. Whelan	—	—	—	—
Mary K. Whelan	—	—	—	—

(1) There were no fees earned or paid (whether in the form of cash, stock or option awards) to any of the directors during the year ended December 31, 2009. In July 2009, 20,000,000 shares of common stock were issued to Mr. Staelin and Ms. Whelan respectively for their services as Board of Directors during the calendar year ended December 31, 2008. The value of the shares issued was recorded as directors' expenses for the year ended December 31, 2008 at $0.00225 per share, or $90,000 in total.

(2) There were no outstanding option awards held by directors as of December 31, 2009.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2009, there is not a formal Compensation Committee. All Board of Directors participated in the material compensation decision. No interlocking relationships exist between any of these members of the Board or any executive officer of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Regulation S-K Item 201d: Securities authorized for issuance under equity compensation plans.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-	$ -	-
Equity compensation plans not approved by security holders	10,000,000	0.30	4,115,000
Total	10,000,000	$ 0.30	4,115,000

Regulation S-K Item 403a: Security ownership of certain beneficial owners of more than five percent (5%).

None

Regulation S-K Item 403b: Security ownership of Management.

(1) Title of class	(2) Name of beneficial owner	(3) Amount and nature of beneficial ownership	(4) Percent of class
Common	Richard Staelin	950,000	0.06%
Common	Andrew J. Whelan	-	-
Common	Mary K. Whelan	2,318,472	0.16%

Unless otherwise indicated in the footnotes, the address for each principal shareholder is in the care of BioElectronics Corporation, 4539 Metropolitan Court, Frederick, Maryland 21704. To the best of the Company's knowledge, none of the Management's holdings may result in a future change in its control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Regulation S-K Item 404:

On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock. The Revolver is convertible at various conversion prices based on the VWAP for the 10 trading days preceding the date of conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company.

During the year ended December 31, 2007, IBEX converted $910,000 of the Revolver's outstanding balance and received 26,000,000 shares of the Company's common stock at conversion prices ranging from $.02 to $.10 per share.

During the year ended December 31, 2008, IBEX converted $722,400 of the Revolver's outstanding balance and received 57,000,000 shares of the Company's common stock at conversion prices ranging from less than $.01 to $.02 per share. At December 31, 2008, the balance of the Revolver was $1,099,722.

During the year ended December 31, 2009, IBEX converted $529,100 of the Revolver's outstanding balance and received 439,500,000 shares of the Company's common stock at conversion prices at less than $.01 per share. At December 31, 2009, the balance of the Revolver was $1,287,954.

In addition to the Revolver as described above, on August 1, 2009, the Company entered into a convertible promissory note agreement with IBEX, for $519,920, with simple interest at 8% per annum. All accrued interest and principal are due on or before August 31, 2011, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.019 per share. According to the Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals.

The Company has entered into related party loans with various stockholders of the Company. The loans are interest-bearing at rates consisting of prime plus 2.0% (5.25% at December 31, 2009 and 7.00% at December 31, 2008) and stated rates at 8% with no stated maturity dates. During the year ended December 31, 2009, the Company obtained an additional loan of $1,033,249 from the shareholders and made payments of $893,000. The amounts owed to the stockholders other than IBEX as of December 31, 2009 and 2008 were $0 and $498,757, respectively.

Additionally, the Company signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The agreement provides for eMarkets to be the exclusive distributor of the company's line of products to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function. Revenues for the year ended December 31, 2009 include $271,047 for sales and $63,496 for cost of goods sold to eMarkets, a related party, and a balance due from such company at December 31, 2009 of $165,297.

Regulation S-K Item 407(a):

The Company does not fulfill the requirements for this disclosure.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table represents aggregate fees billed to us during the years ended December 31, 2009 and 2008 by Berenfeld, Spritzer Shechter & Sheer LLP, our principal independent registered public accounting firm for the audit of our financial statements for 2008, 2007 and 2006.

Fiscal Year Ended December 31:	2009	2008
Audit Fees	$ 29,800	$ —
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$ 29,800	$ —

Audit fees primarily include services for auditing our financial statements along with reviews of our interim financial information. Berenfeld, Spritzer Shechter & Sheer LLP's work on these audits was performed by full time, regular employees and partners of the firm.

Audit-related fees include professional services rendered in connection with SEC registration statements. There were no audit related, tax or other fees billed during the years ended December 31, 2009 and 2008.

All fees described above were approved by our Audit Committee, and the Audit Committee considers whether the provision of the services rendered in respect of those fees is compatible with maintaining the auditor's independence.

PART IV

ITEM 15. EXHIBITS.

5.1 Securities as Compensation

5.2 Recent Sales of Unregistered Securities

10.1 Company's Code of Business Conduct and Ethics

31.1 Certification of Principal Executive Officer and Principal Financial Officer

99 Financial Statements Period from April 10, 2000 (Inception) to December 31, 2009

- Report of Independent Registered Public Accounting Firm
- Balance Sheets
- Statements of Operations
- Statement of Changes in Stockholders' Deficiency
- Statement of Cash Flows
- Notes to Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in Frederick, Maryland, on March 31, 2010.

BIOELECTRONICS CORPORATION

March 31, 2010

By: /S/ ANDREW WHELAN

Andrew Whelan

President, Chief Executive Officer, Chief Financial Officer and Director

(Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on March 31, 2010.

Signature	Title
/S/ ANDREW WHELAN **Andrew Whelan**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Financial Officer)

Exhibits

10-Q 1 v184536_10q.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2010

Commission File Number 021-74972

BIOELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	52-2278149
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

4539 Metropolitan Court
Frederick, Maryland 21704
(Address of principal executive offices and zip code)

Phone: 301.874.4890
Fax: 301.874.6935
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such returns), (2) has been subject to such filing requirements for the past 90 days. YES o NO þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

Number of shares of common stock, issued and outstanding as of May 11, 2010 is 1,471,998,871.

BIOELECTRONICS CORPORATION
FORM 10-Q

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PART I

PART II

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 93,561	$ 296,352
Trade and other receivables, net	89,591	402,003
Trade receivables assigned to related party, net	503,136	-
Trade receivable from related parties	109,970	165,297
Inventory	357,478	201,359
Prepaid expenses and others	157,802	102,635
Total current assets	1,311,538	1,167,646
Property and equipment	138,319	93,502
Less: Accumulated depreciation	(84,873)	(79,921)
Property and equipment, net	53,446	13,581
Total assets	$ 1,364,984	$ 1,181,227
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	$ 193,620	$ 85,661
Accrued expenses	57,579	43,241
Notes payable	2,711	12,654
Financing of receivables with related party	53,584	-
Total current liabilities	307,494	141,556
Long-term liabilities:		
Related party notes payable	2,298,197	1,824,176
Total liabilities	2,605,691	1,965,732
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 1,500,000,000 shares authorized at March 31, 2010 and December 31, 2009 and 1,471,998,871 and 1,470,998,871 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	1,471,999	1,470,999
Additional paid-in capital	8,446,426	8,408,986
Deficit accumulated during the development stage	(11,159,132)	(10,664,490)
Total stockholders' deficiency	(1,240,707)	(784,505)
Total liabilities and stockholders' deficiency	$ 1,364,984	$ 1,181,227

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the three months ended March 31, 2010	2009	Period from April 10, 2000 (Inception) to March 31, 2010
Sales	$ 281,767	$ 294,581	$ 3,733,351
Cost of Goods Sold	121,063	75,883	1,635,556
Gross profit	160,704	218,698	2,097,795
General and Administrative Expenses:			
Depreciation and Amortization	6,771	3,645	103,484
Investor Relations Expenses	45,899	5,390	1,640,460
Legal and Accounting Expenses	200,936	18,698	983,987
Sales Support Expenses	71,767	93,792	1,499,697
Other General and Administrative Expenses	300,575	138,866	7,486,709
Total General and Administrative Expenses	625,948	260,391	11,714,337
Loss from Operations	(465,244)	(41,693)	(9,616,542)
Interest Expense and Other:			
Interest Expense	(29,398)	(19,797)	(1,506,738)
Loss on Disposal of Assets	-	-	(35,852)
Total Interest Expense and Other	(29,398)	(19,797)	(1,542,590)
Loss Before Income Taxes	(494,642)	(61,490)	(11,159,132)
Provision for Income Tax Expense	-	-	-
Net loss	$ (494,642)	$ (61,490)	$ (11,159,132)
Net loss Per Share - Basic and Diluted	$ (0.00)	$ (0.00)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	1,471,332,204	400,727,694	N/A

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the three months ended March 31, 2010	2009	Period from April 10, 2000 (Inception) to March 31, 2010
Cash flows from Operating Activities:			
Net loss	$ (494,642)	$ (61,490)	$ (11,159,132)
Adjustment to Reconcile Net Loss to			
Net Cash Used In Operating Activities:			
Depreciation and amortization	6,771	3,645	105,055
Provision for bad debts	-	-	58,255
Amortization of non-cash debt issuance costs	-	-	725,373
Non-cash expenses	-	649	1,455,978
Stock-based employee compensation expense	36,190	-	74,131
Non-cash interest related to notes payable	-	5,017	592,418
Non-cash interest related to related party notes payable	29,021	14,780	116,724
Adjustment of related party notes payable	-	77,397	(266,490)
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	-	562,776
Loss on disposal of property and equipment	-	-	35,852
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	346,203	(62,011)	(279,350)
Trade receivables assigned to related party	(536,927)	-	(536,927)
Inventory	(156,119)	(74,422)	(357,478)
Trade receivable from related parties	55,327	-	55,327
Prepaid expenses and others	(56,986)	(1,152)	(146,966)
Increase (Decrease) in:			
Accounts payable	107,959	(38,609)	333,868
Accrued expenses	16,588	(3)	268,271
Customer deposits	-	(79,376)	-
Net cash used in operating activities	(646,615)	(215,575)	(8,232,463)
Cash flows from Investing Activities			
Acquisition of property and equipment	(44,817)	-	(173,546)
Net cash Used in Investing Activities	(44,817)	-	(173,546)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	(9,943)	(51,000)	(538,162)
Proceeds from related party notes payable	445,000	96,600	5,249,953
Proceeds from financing of receivables with related party	64,916	-	64,916
Payments on related party notes payable	-	(8,600)	(969,803)
Payments for financing of receivables with related party	(11,332)	-	(11,332)
Proceeds from issuance of common stock	-	147,000	3,623,837
Other	-	-	(9,987)
Net cash provided by financing activities	488,641	184,000	8,499,570
Net increase (Decrease) in cash	(202,791)	(31,575)	93,561
Cash- Beginning of Period	296,352	55,278	-
Cash- End of Period	$ 93,561	$ 23,703	$ 93,561

Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			
Interest	$ 377	$ -	$ 67,009
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ -	$ 163,640	N/A
Issuance of common stock from accrued expense	$ 2,250	$ -	2,250
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Prepaid insurance expense through issuance of notes	$ -	$ -	$ 12,654
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

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

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

The year-end condensed balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 31, 2010.

The independent registered public accounting firm's report on the financial statements for the fiscal year ended December 31, 2009 states that because of recurring substantial losses from operations and a deficit accumulated during the development stage, there is substantial doubt about the Company's ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming the Company will continue as a going concern and 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 outcome of this uncertainty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by ASC Topic 915, "Development Stage Entities" (formerly SFAS 7, "Accounting and Reposting by Development Stage Enterprises"), the Company is devoting substantially all of its present efforts to developing its business. Additionally, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $33,791 at both March 31, 2010 and December 31, 2009. Bad debt expense for the three months ended March 31, 2010 and March 31, 2009 were both $0.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Costs incurred to fund the production of advertisements are reported as a prepaid expense if the related advertisement has not yet been broadcast. Prepaid advertising cost incurred to fund the production of Infomericals was $43,196 and $34,014 at March 31, 2010 and December 31, 2009, respectively. During the three months ended March 31, 2010, $1,819 of Infomercials costs were amortized. Amortization costs for the three months ended March 31, 2009 were $0.

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration are assigned a per share amount based on either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration pertains to services rendered by consultants and others. The fair value of the services received was used to record the related expense and value attributed to the shares issued. On March 18, 2010, the Company issued 1,000,000 common shares to a consultant in respect of services provided in the year ended December 31, 2009. The shares were valued at $0.00225 per share (or $2,250 in aggregate) and were issued in payment of accrued liability related to services rendered by a consultant in 2009.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Disclosure of Fair Value Measurements
In January 2010, the Financial Accounting Standards Board ("FASB") issued a final Accounting Standards Update ("ASU") that sets forth additional requirements and guidance regarding disclosures of fair value measurements. The ASU requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and Level 2 fair value measurements. It also clarifies two existing disclosure requirements within the current fair value authoritative guidance on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. The new requirements and guidance are effective for interim and annual periods beginning after December 15, 2009, which for us means our first quarterly period ending on March 31, 2010, except for the Level 3 roll forward requirements which is effective for interim and annual periods beginning after December 15, 2010, which for us means our first quarterly period ending on March 31, 2011. The adoption of the disclosures effective this quarter did not have an impact on our financial position, results of operations or cash flows. Additionally, we do not expect the adoption of the disclosures which were deferred until the first quarter 2011 to have an impact on our financial position, results of operations or cash flows.

Stock Based Compensation
ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and are not expected to have a significant impact on the Company's financial statements.

Accounting for the Transfers of Financial Assets
In June 2009, the FASB issued new guidance relating to the accounting for transfers of financial assets. The new guidance, which was issued as SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment to SFAS No.* 140, was adopted into Codification in December 2009 through the issuance of Accounting Standards Updated ("ASU") 2009-16. The new standard eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. The new guidance is effective for fiscal years beginning after November 15, 2009. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Variable Interest Entities
In June 2009, the FASB issued revised guidance on the accounting for variable interest entities. The revised guidance, which was issued as SFAS No. 167, *Amending FASB Interpretation No. 46(R),* was adopted into Codification in December 2009 through the issuance of ASU 2009-17. The revised guidance amends FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities,* in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. The revised guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

Revenue Recognition
In October 2009, the FASB issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements.* The new standard changes the requirements for establishing separate units of accounting in a multiple element arrangement and requires the allocation of arrangement consideration to each deliverable based on the relative selling price. The selling price for each deliverable is based on vendor-specific objective evidence ("VSOE") if available, third-party evidence if VSOE is not available, or estimated selling price if neither VSOE or third-party evidence is available.

ASU 2009-13 is effective for revenue arrangements entered into in fiscal years beginning on or after June 15, 2010. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

In October 2009, the FASB issued Accounting Standards Update No. 2009-14, "Certain Revenue Arrangements That Include Software Elements" ("ASU No. 2009-14"). ASU No. 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU No. 2009-13. ASU No. 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption and retrospective application are also permitted. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

Subsequent Events
ASU 2010-09 amends ASC Subtopic 855-10, "Subsequent Events – Overall" ("ASC 855-10") and requires an SEC filer to evaluate subsequent events through the date that the financial statements are issued but removed the requirement to disclose this date in the notes to the entity's financial statements. The amendments are effective upon issuance of the final update and accordingly, the Company has adopted the provisions of ASU 2010-09 during the quarter ended March 31, 2010. The adoption of these provisions did not have a significant impact on the Company's financial statements.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $494,642 for the three months ended March 31, 2010. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, obtain U.S. FDA approval, maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory as of March 31, 2010 and December 31, 2009 are:

	March 31, 2010	December 31, 2009
Raw materials	$ 69,961	$ 27,900
Finished goods	287,517	173,459
	$ 357,478	$ 201,359

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Machinery & Equipment	$ 131,437	$ 86,620
Leasehold improvements	6,882	6,882
	138,319	93,502
Less: accumulated depreciation	(84,873)	(79,921)
Total property and equipment, net	$ 53,446	$ 13,581

Depreciation expense on property and equipment amounted to $4,952 and $3,645 for the three months ended March 31, 2010 and March 31, 2009, respectively.

NOTE 6 – INSURANCE PREMIUM FINANCING

During 2009, the Company entered into an insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability, general liability and product liability. The annual interest rate was 6.26%. The remaining balance of the amount financed was $12,654 as of December 31, 2009 and $9,943 payment was made during the three months ended March 31, 2010. The interest expense for this note was $100 for the three months ended March 31, 2010. The outstanding payable balance at March 31, 2010 was $2,711, which is due in full by May 31, 2010.

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NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY

The Company entered into an agreement (the "Agreement") on March 5, 2010, with Jarenz LLC ("Jarenz"), a related party, pursuant to which Jarenz is providing accounts receivable financing and collection services to the Company.

The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a Cash Advance Amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz.

Jarenz's discount fee is a percentage, between 1% to 9.5%, of the Cash Advance Amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable.

The Company accounts for transactions under the Agreement as secured borrowings since the Company has not surrendered control of the transferred accounts receivable to Jarenz under the Agreement. The Company reports the proceeds received from Jarenz as a current liability. The discount fee and any subsequent interest payments are recorded as interest expense in the Statement of Operations. The accounts receivable balance at March 31, 2010 includes receivables amounting to $536,927 which have been assigned to Jarenz under the Agreement. The Company recorded an allowance for doubtful accounts of $33,791 against this receivable as of March 31, 2010.

As at March 31, 2010, Jarenz received $85,247 from the assigned receivables which was not yet forwarded to the Company. Interest expense of $277 was recorded for the three months ended March 31, 2010. Jarenz is a limited liability company, whose owner is the daughter of the President of the Company.

NOTE 8 – RELATED PARTY NOTES PAYABLE

On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (5.25% for the three months ended March 31, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock. The Revolver is convertible at various conversion prices based on the VWAP for the 10 trading days preceding the date of conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. The balance of the Revolver was $1,304,626 as at March 31, 2010.

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NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

In addition to the Revolver as described above, on August 1, 2009, the Company entered into a convertible promissory note agreement with IBEX, for $519,920, with simple interest at 8% per annum. All accrued interest and principal are due on or before August 31, 2011, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.019 per share. According to the Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals.

On February 9, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $135,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before February 2, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.01 per share. According to the Security Agreement dated February 9, 2010, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals.

On March 31, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $310,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before March 31, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.01 per share.

Total interest expense incurred on the related party notes payable for the three months ended March 31, 2010 and 2009 was $29,021 and $14,780, respectively.

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NOTE 9 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three months ended March 31, 2010	2009
Common Stock:		
Weighted average number of shares outstanding – basic	1,471,332,204	400,727,694
Effect of dilutive securities:		
Options and Warrants	-	-
Weighted average number of shares outstanding – diluted	1,471,332,204	400,727,694
Options and Warrants not included above (anti-dilutive)		
Options to purchase common stock	51,550,000	350,000
Warrants to purchase common stock	332,000	4,844,444
	51,882,000	5,194,444

NOTE 10 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

As of March 31, 2010, the Company had 40,365,000 shares available for future grant under the Plan.

Restricted Stock

The following table is a summary of activity related to restricted stock grants to directors, consultants and key employees for the three months ended March 31, 2010:

Restricted shares granted	**53,750,000**
Weighted average grant date fair value per share	**$ 0.01515**
Aggregate grant date fair value	**$ 814,045**
Restricted shares forfeited	**-**
Vesting service period of shares granted	**3 years**
Grant date fair value of shares vested	**$ -**

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NOTE 10 – SHARE BASED COMPENSATION (CONTINUED)

Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant and then applied a liquidity discount of 50 percent. This discount rate is determined by analyzing the Company's liquidity history and using peer company data to estimate. Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date.

There was no restricted stock outstanding as at March 31, 2009.

The Company adopted the provisions of SFAS No. 123R in the beginning of 2006. SFAS No. 123R requires that compensation cost relating to share-based payment transactions be recognized as an expense over the service period or vesting term. Accordingly, compensation costs recognized for the restricted stock for the three months ended March 31, 2010 and 2009 totaled $36,190 and $0, respectively.

Stock Options
Option awards are granted with an exercise price equal to Company's bid price on the Pink Sheets on the date of grant, which is fair value. The options vest over three years of continuous service and are exercisable over ten years from the date of grant.

There were no grants, exercises or expirations of options during the three months ended March 31, 2010.

Summary information about the Company's stock options outstanding at March 31, 2010:

Exercise Price	Options Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Options Exercisable
$ 0.300	350,000	0.75	$ 0.300	350,000

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NOTE 11 - WARRANTS

There were no grants, exercises or expirations of warrants during the three months ended March 31, 2010.

The following table summarizes the characteristics of the outstanding warrants as at March 31, 2010:

Exercise Price	Number	Original Term (Years)	Options outstanding weighted average remaining life in years
$ 0.33	332,000	5	0.42

NOTE 12 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, receivables, accounts payable and notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and/or approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows.

NOTE 13 – INCOME TAXES

The Company has not provided for income tax expense for the three months ended March 31, 2010 because of a significant net operating loss carry-forward of approximately $4.6 million. A full valuation allowance has been recorded against the deferred tax asset resulting from the benefits associated with the net operating loss carry-forward.

NOTE 14 – COMMITMENTS AND CONTINGENCIES LITIGATION

General
In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 14 – COMMITMENTS AND CONTINGENCIES LITIGATION (CONTINUED)

William Lyons v. BioElectronics Corporation

In 2005, a lawsuit was filed against the Company by William Lyons for alleged breach of contract and conversion claims associated with fees for services provided to the Company. Mr. Lyons alleged that Andrew Whelan, the president of the Company, the Company, and PAW II, a Maryland limited liability company, (collectively, "the Defendants") reached an agreement to convey stock to Mr. Lyons. The defendants deny that any such agreement was in place or that Mr. Lyons had the right to enforce such an agreement.

On May 29, 2009, through binding arbitration, Mr. Lyons was awarded approximately $1.2 million for his claims. Subsequently, on June 25, 2009 the Company filed, in the Circuit Court of Frederick County, Maryland, a Petition to Vacate Arbitration Award issued by the arbitrator. The Motion was denied by the Court on December 30, 2009.

On January 14, 2010, the Court entered Judgment in favor of Mr. Lyons and against the Defendants jointly and severally in the amount of $1,217,919. The matter is now on appeal in the Maryland Court of Special Appeals.

As of the date of this filing, the Court of Special Appeals has not ruled on the Appeal. However, the Defendants intend to pursue the appeal toward either settlement or reversal. It is management's opinion that, the court's decision will be reversed on appeal or the amount of damages will be reduced because the arbitrator used information beyond the evidence to reach his verdict. Management's position is also that any Judgment against the Corporation is improper because Mr. Whelan and the other Board members present had no authority to make this agreement on behalf of the Company. If the claims are not vacated by the Court, the Board of Directors will pursue collection of the damages from the Directors who participated in the action.

At this time, the Company cannot accurately estimate actual damages to the claimants since the appeal is still pending. As a result of all the uncertainties, the outcome cannot be reasonably determined at this time and the Company is unable to estimate the loss, if any, in accordance with ASC Topic 450 "Contingencies" (formerly SFAS No. 5, "*Accounting for Contingencies*").

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NOTE 15 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7 and Note 8, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the Company's president. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the Company's products by eMarkets and provides for the Company to provide training and customer support at its own cost to support the distributor's sales function.

Sales transactions to eMarkets recognized for the three months ended March 31, 2010 include $1,273 in sales and $152 in cost of goods sold. For the three months ended March 31, 2009, sales to eMarkets accounted for $15,750 in sales and $3,210 in cost of goods sold to eMarkets. Sales include $0 and $14,784 from bill and hold revenues transactions for the three months ended March 31, 2010 and 2009, respectively. The balance due from eMarkets was $24,723 and $165,297 at March 31, 2010 and December 31, 2009, respectively. Such amounts were presented under "Trade receivables from related parties".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q may contain certain forward-looking statements, including without limitation, statements concerning BioElectronics Corporation ("the Company") operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "may," "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. These forward-looking statements may include statements addressing our operations and our financial performance. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties. Factors we have identified that may materially affect our results are discussed in our Annual Report on Form 10-K, including the documents, for the year ended December 31, 2009, particularly under Item 1A, "Risk Factors". In addition, other important factors to consider in evaluating such forward-looking statements include changes in external market factors, changes in the Company's business or growth strategy or an inability to execute its strategy, including due to changes in its industry or the economy generally. In light of these risks and uncertainties, there can be no assurances that the results referred to in the forward-looking statements will, in fact, occur. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made in this report, in our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

INTRODUCTION

We are the maker of inexpensive, drug–free, anti-inflammatory medical devices and patches. Our wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. We market and sell our products under the brand names ActiPatch®, Allay™, RecoveryRx™ and HealFast™.

During the three months ended March 31, 2010, our focus was on launching direct response television (DRTV) tests in Latin America, preparing other international launches of DRTV campaigns, implementing extensive product improvements, fulfilling large orders, and obtaining additional domestic and international distribution channels. Securing additional U.S. FDA market clearance is central to market entry and product acceptance.

Our customers include physicians, market product distributors, and direct response television distributors. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. Consequently, until additional clearances are received from the U.S. FDA, domestic sales are restricted primarily to medical providers, and the majority of sales will be located outside the United States. As of March 31, 2010, we have established distribution agreements with distributors that offer our product for sale in over 40 countries internationally, mainly in Europe, Latin America, Middle East and South East Asia. The international market is expected to further expand going forward and to eventually constitute two-thirds of our total sales.

MAJOR GOALS, SIGNIFICANT ACTIVITIES AND RESULTS DURING FIRST QUARTER OF 2010

BioElectronics' operational plan is centered on marketing oriented functions. We believe our product set is very strong, our quality is very high, our ISO-certified production capabilities are extensive, and our Company is structured for accelerated growth. Over the past 24 months, the Company has significantly strengthened its product lines, improved product quality, created new packaging, and redesigned marketing materials and products.

We have several major goals to continue the advancement of its business operations, including: 1) completing additional clinical trials; 2) obtaining additional U.S. FDA and international product market clearances; 3) continuing to build our four primary brands; 4) building domestic distribution, including direct response television commercials and drug/grocery store-based distribution; and 5) expanding our already growing international distribution network.

Additional U.S. Government FDA and International Regulatory Body Filings

Our product is currently classified as a high risk, Class III device. We have U.S. FDA market clearance for the treatment of edema following blepharoplasty. We have filed two additional 510(k) market clearance applications for "relief of musculoskeletal pain" and "relief of menstrual cycle pain and discomfort" for over-the-counter sales. Even though the U.S. FDA is reluctant to give us over-the-counter clearance for a Class III device, we are currently pursuing both reclassification and approval of the pending applications. We are also preparing an additional U.S. FDA market clearance request for our new chronic pain device and a market clearance request for post-operative pain and edema. As we expand internationally, we are required to and do obtain additional market clearance in each country.

Continue to Build Our Four Primary Markets

We augmented our marketing team in 2009 with two experienced Brand Managers to help build our brands. In the coming months, we plan to add additional brand management staff to further assist our marketing efforts.

Because BioElectronics has only limited U.S. FDA clearance of its products, mass distribution to direct consumers in the United States is prohibited. We believe U.S. FDA clearance for some of our products is forthcoming, and thus, we are currently in the process of identifying and building a domestic distribution network.

Continued Expansion of Our Already Growing International Distribution Network

BioElectronics has made steady, significant progress in building an international distribution network. Due to the Company obtaining over-the-counter sales approval for its products in Canada, Europe and many other markets, it has regular interest from international distribution companies to market and distribute the product lines. Our strategy is to partner with distributors that have the experience and financial ability to place our products into the consumer goods retail sales channels. We have seen success in executing this strategy relative to Canada, Western Europe, South-East Asia and the Middle East. Since retail distribution is a core strategy, the Company is regularly in negotiations with existing and future distributors, and anticipates signing additional contracts with qualified distributors in Asia, Europe, and other international locations.

The Company developed Direct Response Television (DRTV) materials produced by leading companies (Schulberg Media Works for English-speaking markets, and RC Productions for Hispanic markets) for both the ActiPatch Back Pain product and the Allay Menstrual Pain Therapy product. Subsequently, the commercials are extremely helpful with establishing partnerships with major DRTV companies to test our products in many countries. The Company contracted with TeleDEPOT in Latin America, where it completed a very successful test in several countries. In Canada, we are partnering with Northern Response, one of the world's largest DRTV companies, to test our products. Northern Response is also looking for further opportunities in six additional international locations that show interest in our products. In Australia and New Zealand, one of our distributors will test the back pain commercial; while in Turkey, another distributor will test Allay, our menstrual pain product.

Other Issues Relative to Plan of Operations

Cash Requirements - BioElectronics is currently in a strong current asset position with its current assets exceeding current liabilities, yielding a current ratio well above one. As is typical for most growth companies, BioElectronics may, in the future, need to raise additional funds to finance its working capital requirements. It is unknown at this time how much, if any, additional funds will be needed to execute our business plan, as it is highly dependent upon our sales growth trajectory over the coming quarters.

Research and Development – Our products are substantially developed and ready for sale, and many of our products are currently offered for sale on the international market. We are designing several new products based on our core technologies with developmental costs being financed through normal operating cash flows.

Expected Purchase or Sale of Plant and Significant Equipment - BioElectronics does not anticipate any major purchases or sales of plant or significant equipment.

Expected Changes in the Number of Employees - We are currently recruiting new talent and expect our hiring will focus on marketing personnel, support, and manufacturing staff. Our hiring plans are dependent upon revenue growth rates over the coming quarters.

RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, "Development Stage Enterprise", and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000 to March 31, 2010.

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

Revenue. Revenue from operations for the three months ended March 31, 2010 and 2009 amounted to approximately $282,000 and $295,000, respectively, a decrease of $13,000 or 4% over the prior year. The following table summarizes the Company's domestic, international and veterinary (related party) revenues earned during the three months ended March 31, 2010 and 2009:

	For the three months ended, March 31,			
	2010		2009	
	Amounts	Percentage	Amounts	Percentage
International	$252,440	90%	$116,766	40%
Domestic	28,054	10%	162,065	55%
Veterinary	1,273	0%	15,750	5%
	$281,767	**100%**	**$294,581**	**100%**

International sales increased by approximately $136,000 or 116% in the three months ended March 31, 2010 from the comparative period in 2009 as a result of new distributorship agreements signed in 2010 and increased sales through agreements signed in prior years. Domestic sales reduced by approximately $134,000 or 83% in the three months ended March 31, 2010 from the comparative period in 2009 resulting from sales of special cervical devices totaling $100,000 in 2009.

Veterinary revenues of $1,273 and $15,750 were recorded in the three months ended March 31, 2010 and 2009, respectively. The reduction in veterinary revenues is primarily due to eMarkets requesting shipment of the bill and hold transactions from 2009 in lieu of purchasing additional units. eMarkets is our exclusive distributor of veterinary products to customers in certain countries outside of the United States.

At March 31, 2010, the Company has not yet delivered 43,160 units, totaling approximately $366,000 bill and hold sales recognized for the year ended December 31, 2009. The units will be shipped during 2010 to help meet the distribution 2010 purchase obligation.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the three months ended March 31, 2010 and 2009 amounted to approximately $121,000 and $76,000, respectively. Gross margin decreased from approximately 74% of sales for the three months ended March 31, 2009 to approximately 57 % for the three months ended March 31, 2010. The decrease was primarily the result of replacing 7,500 defective units totaling approximately $30,000 in cost of goods sold. Other factors include higher production costs, which arose from an increase in the use of contingent workers to expedite shipment of the new Allay packaging, and higher shipping costs related to international sales. We expect the normal gross margins on our products to be in the range of 66 % to 70 % of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. For the three months ended March 31, 2010, general and administrative expenses amounted to approximately $626,000 as compared to $260,000 in comparative period of 2009, an increase of $366,000 or 142% over the prior period. The increase in general and administrative expenses in 2010 was primarily driven by an increase in accounting, legal and investor relations expenses to begin reporting to the SEC.

General and administrative expenses of approximately $626,000 for the three months ended March 31, 2010 included approximately $72,000 in marketing support expenses, approximately $201,000 in legal and accounting expense, approximately $46,000 in investor relation consulting expense, approximately $7,000 in depreciation and amortization, and approximately $300,000 in other general and administrative expenses.

General and administrative expenses of approximately $260,000 for the three months ended March 31, 2009, consisted of approximately $94,000 in sales support expenses, approximately $19,000 in legal and accounting expense, approximately $5,000 in investor relations expense, approximately $4,000 in depreciation and amortization, and $139,000 in other general and administrative expenses.

Interest Expense. Interest expense increased to approximately $29,000 for the three months ended March 31, 2010 from approximately $20,000 in the comparable period in 2009. The increase in interest expense was mainly attributed to the new financing loans with IBEX, LLC ("IBEX"). IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company.

Net Loss. Net losses increased from approximately $61,000 during the first three months of 2009 to approximately $495,000 during the comparative period in 2010. Losses were increased primarily due to increase in general and administrative expense and interest expense.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds are primarily cash flows from financing activities. We raise funds for our operations by borrowing on notes, agreements with third parties and related parties, and selling equity in the capital markets. We are still operating as a development stage company, in which we are devoting substantially all of our present efforts to developing our business. For every year and period since our inception, we have generated negative cash flow from operations. At March 31, 2010, our cash and cash equivalents were approximately $94,000. Since December 31, 2009, our balance of cash and cash equivalents decreased by approximately $203,000 as a result of our loss from operations in the quarter of $494,642, offset by changes in our working capital balances and proceeds received from our financing activities, primarily proceeds from the issuance of related party notes payable and assignment of receivables under our factoring agreement with Jarenz LLC ("Jarenz"), a related party. Jarenz is a limited liability company, whose owner is the daughter of the President of the Company.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members, and their immediate family and associates. As of March 31, 2010, all of the Company's debt was provided by these related parties. We present the secured borrowing as short-term liabilities and the notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts.

At March 31, 2010, we had positive working capital of approximately $1,004,000 which is comparable to approximately $1,026,000 at December 31, 2009.

On January 1, 2005, we entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (i.e. 5.25% for the three months ended March 31, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of our common stock. The Revolver is convertible into Common Shares of the Company at various conversion prices based on the VWAP for the 10 trading days preceding the date of conversion. As of March 31, 2010, an amount of approximately $1,305,000 was drawn from the Revolver.

On August 1, 2009, we entered into a convertible promissory note agreement with IBEX, for $519,920, with simple interest at 8% per annum. All accrued interest and principal are due on or before August 31, 2011, whether by the payment of cash or by conversion into shares of our common stock. The promissory note is convertible into Common Shares of the Company based on (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

On February 9, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $135,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before February 2, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible into Common Shares of the Company based on (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

On March 31, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $310,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before March 31, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

The Company entered into an Agreement (the "Agreement") on March 5, 2010, with Jarenz pursuant to which Jarenz is providing accounts receivable financing and collection services to the Company. The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a cash advance amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz. Jarenz's discount fee is a percentage of the cash advance amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable. As at March 31, 2010, 10% of the initial down payment of the assigned receivables was drawn totaling approximately $65,000. The Company will draw further cash advance amounts upon additional financing needs.

Net Cash Used In Operating Activities. Net cash used in operating activities amounted to approximately $647,000 and $216,000 in the three months ended March 31, 2010 and March 31, 2009.

Net cash used in operating activities amounted to approximately $647,000 for the three months ended March 31, 2010 primarily as a result of the net loss incurred for the quarter, offset by changes in the Company's capital balances including an increase in trade and other receivables of approximately $191,000, increase in accounts payable of approximately $108,000, and increase in inventory of approximately $156,000.

Net cash used in operating activities amounted to approximately $216,000 for the three months ended March 31, 2009 primarily as a result of the net loss incurred for the quarter, offset by changes in the Company's capital balances including an increase in trade and other receivables of approximately $62,000, decrease in accounts payable of approximately $39,000, increase in inventory of approximately $74,000, and decrease in customer deposits of approximately $79,000.

Net Cash Used in Investing Activities. During the three months ended March 31, 2010, we purchased approximately $45,000 of laboratory equipment to develop new products and to improve quality assurance. We did not make any significant investments in fixed or other long-term assets during the three months ended March 31, 2009.

Net Cash Provided by Financing Activities. Net cash provided by financing activities amounted to approximately $489,000 and $184,000 in three months ended March 31, 2010 and March 31, 2009, respectively. The increase of approximately $305,000 was primarily because of the increase in proceeds obtained from related party notes payable of approximately $348,000.

During the three months ended March 31, 2010, the Company generated approximately $489,000 in cash from financing activities through the issuance of notes payable to related parties (amounting to $445,000) and the assignment of receivables to related parties (amounting to $65,000). The proceeds received from these activities were used to repay notes payable and financing of receivable (amounting to $21,000) and to fund operations during the year.

During the three months ended March 31, 2009, the Company generated $184,000 in cash from financing activities mainly through the issuance of related party notes payable (amounting to $96,600) and the sale of common shares (amounting to $147,000). The funds received were used to repay certain notes payable (amounting to $51,000) and to fund operations.

Going concern. The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. We have incurred substantial losses from operations in the three months ended March 31, 2010 and prior years, including a net loss of approximately $495,000 and $61,000 for the three months ended March 31, 2010 and March 31, 2009 respectively. The Company also has an accumulated deficit as of March 31, 2010 of $11,159,132.

We are currently looking for additional financing to provide funds for operations and to complete our developmental activities. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all of our transactions in U.S. dollars and therefore do not have any foreign currency exchange risk.

Item 4T. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President, Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating these disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of disclosure controls and procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q are recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our President, Chief Executive Officer and Chief Financial Officer, and other management, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, our President, Chief Executive Officer and Chief Financial Officer after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, subject to the inherent limitations noted in this Part I, Item 4T, as of March 31, 2010, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2009, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including:

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently only have one independent director on our board, which is comprised of three directors, and on our audit committee, which is comprised of one director. Although we are considered a controlled company, whereby a group holds more than 50% of the voting power and as such are not required to have a majority of our board of directors be independent, it is our intention to have a majority of independent directors in due course.

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the three months ended March 31, 2010, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, ("Berenfeld, Spritzer"), with our Audit Committee with respect to Berenfeld, Spritzer's audit procedures for fiscal 2009, Berenfeld, Spritzer informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board ("PCAOB").

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2010 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described in this Quarterly Report on Form 10-Q. Such remediation activities include the following:

- At an appropriate time, we will recruit one or more additional independent board members to join our board of directors. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.

- We will hire or engage additional qualified and experienced accounting personnel as necessary to review our quarter-end closing processes as well as provide additional oversight and supervision within the accounting department.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Controls over Financial Reporting

There were no significant changes in internal control over financial reporting during the first quarter of 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.
The Company and Andrew Whelan, President & CEO, were defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claimed that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was removed from Maryland state court to arbitration provided for in the contract at issue. The plaintiff prevailed in arbitration, and a judgment was entered against BioElectronics Corporation, PAW, LLC and Andrew Whelan in the amount of $1,217,919.10. The Company believes the plaintiff's claims to be without merit and the arbitrator's decision to have been possible only by a manifest disregard of the law. As such, the Company and Mr. Whelan filed a Petition to Vacate Arbitration Award with the Maryland Court of Special Appeals. Though no rulings have yet been issued, a mediation hearing on the petition is scheduled for June 17, 2010. The Company intends to continue defend the matter and vigorously pursue any and all available remedies.

The Board of Directors has retained legal counsel to pursue, if necessary, the collection of any damages to the Company.

Item 1A. Risk Factors. As a smaller reporting company, Registrant is not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
On March 18, 2010, the Company issued and tendered 1,000,000 common shares to a consultant in respect of services provided in the year ended December 31, 2009. The shares were recorded at $0.00225 per share (or $2,250 in aggregate), and the related expense was recorded in the prior year.

Item 3. Defaults Upon Senior Securities.
We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

Item 4. (Removed and Reserved). Not applicable.

Item 5. Other Information. Not applicable

Item 6. Exhibits.

Exhibit 31.1. Certification of Principal Executive Officer and Principal Financial Officer
Exhibit 32.1. Certification of Chief Executive Officer and Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in Frederick, Maryland, on May 12, 2010.

BIOELECTRONICS CORPORATION

May 12, 2010

By: /S/ ANDREW J. WHELAN

Andrew J. Whelan

President, Chief Executive Officer, Chief Financial Officer and Director

(Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on May 12, 2010.

Signature	Title
/S/ ANDREW J. WHELAN **Andrew J. Whelan**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Financial Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2010

Commission File Number 000-51809

BIOELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	52-2278149
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

4539 Metropolitan Court
Frederick, Maryland 21704
(Address of principal executive offices and zip code)

Phone: 301.874.4890
Fax: 301.874.6935
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such returns), (2) has been subject to such filing requirements for the past 90 days. YES o NO þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

Number of shares of common stock, issued and outstanding as of August 16, 2010 is 1,474,198,871.

BIOELECTRONICS CORPORATION
FORM 10-Q

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PART I

PART II

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 136,684	$ 296,352
Trade and other receivables, net	212,279	402,003
Trade receivable assigned to related party	353,995	-
Trade receivable from related parties	10,594	165,297
Inventory	670,301	201,359
Prepaid expenses and others	75,883	102,635
Total current assets	1,459,736	1,167,646
Property and equipment	119,251	93,502
Less: Accumulated depreciation	(87,921)	(79,921)
Property and equipment, net	31,330	13,581
Total assets	$ 1,491,066	$ 1,181,227
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	$ 253,431	$ 85,661
Accrued expenses	20,926	43,241
Notes payable	12,925	12,654
Financing of receivables with related party	44,190	-
Total current liabilities	331,472	141,556
Long-term liabilities:		
Related party notes payable	2,800,257	1,824,176
Total liabilities	3,131,729	1,965,732
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 1,500,000,000 shares authorized at June 30, 2010 and December 31, 2009 and 1,474,198,871 and 1,470,998,871 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	1,474,199	1,470,999
Additional paid-in capital	8,536,454	8,408,986
Deficit accumulated during the development stage	(11,651,316)	(10,664,490)
Total stockholders' deficiency	(1,640,663)	(784,505)
Total liabilities and stockholders' deficiency	$ 1,491,066	$ 1,181,227

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,		Period from April 10, 2000 (Inception) to June 30, 2010
	2010	2009	2010	2009	
Sales	$ 331,479	$ 221,875	$ 613,246	$ 516,456	$ 4,064,830
Cost of Goods Sold	125,581	82,198	246,644	158,081	1,761,137
Gross profit	205,898	139,677	366,602	358,375	2,303,693
General and Administrative Expenses:					
Depreciation and Amortization	13,265	3,645	20,036	7,290	116,749
Investor Relations Expenses	8,712	6,195	54,611	11,585	1,649,172
Legal and Accounting Expenses	168,655	50,632	369,590	69,330	1,152,643
Sales Support Expenses	79,933	16,220	151,700	110,013	1,579,630
Other General and Administrative Expenses	381,881	109,965	682,457	248,831	7,868,589
Total General and Administrative Expenses	652,446	186,657	1,278,394	447,049	12,366,783
Loss from Operations	(446,548)	(46,980)	(911,792)	(88,674)	(10,063,090)
Interest Expense and Other:					
Interest Expense	(39,945)	(20,943)	(69,343)	(40,741)	(1,546,683)
Loss on Disposal of Assets	(5,691)	-	(5,691)	-	(41,543)
Total Interest Expense and Other	(45,636)	(20,943)	(75,034)	(40,741)	(1,588,226)
Loss Before Income Taxes	(492,184)	(67,923)	(986,826)	(129,415)	(11,651,316)
Provision for Income Tax Expense	-	-	-	-	-
Net loss	$ (492,184)	$ (67,923)	$ (986,826)	$ (129,415)	$ (11,651,316)
Net loss Per Share - Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	N/A
Weighted Average Number of Shares Outstanding -Basic and Diluted	1,473,465,538	734,726,974	1,472,398,871	567,727,334	N/A

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the six months ended June 30, 2010	2009	Period from April 10, 2000 (Inception) to June 30, 2010
Cash flows from Operating Activities:			
Net loss	$ (986,826)	$ (129,415)	$ (11,651,316)
Adjustment to Reconcile Net Loss to			
Net Cash Used In Operating Activities:			
Depreciation and amortization	19,400	7,290	117,684
Provision for bad debts	-	-	58,255
Amortization of non-case debt issuance costs	-	-	725,373
Non-cash expenses	-	(18,989)	1,455,978
Stock-based employee compensation expense	123,468	-	161,409
Non-cash interest related to notes payable	-	5,018	592,418
Non-cash interest related to related party notes payable	65,285	29,712	152,988
Adjustment of related party notes payable	-	139,100	(266,490)
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	95,796	-	658,572
Loss on disposal of property and equipment	5,691	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	189,724	(153,733)	(435,829)
Trade receivables assigned to related party	(353,995)	-	(353,995)
Inventory	(468,942)	(77,649)	(670,301)
Trade receivable from related parties	154,703	-	154,703
Prepaid expenses and others	28,277	(19,994)	(61,703)
Increase (Decrease) in:			
Accounts payable	167,770	(87,298)	393,679
Accrued expenses	(15,115)	(9,003)	236,568
Customer deposits	-	(119,398)	-
Net cash used in operating activities	(974,764)	(434,359)	(8,560,612)
Cash flows from Investing Activities			
Acquisition of property no acquisition of property and equipment	(31,440)	-	(160,169)
Net cash Used in Investing Activities	(31,440)	-	(160,169)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	(12,654)	(62,000)	(540,873)
Proceeds from related party notes payable	815,000	282,015	5,619,953
Proceeds from financing of receivables with related party	85,610	-	85,610
Payments on related party notes payable	-	(8,600)	(969,803)
Payments for financing of receivables with related party	(41,420)	-	(41,420)
Proceeds from issuance of common stock	-	190,200	3,623,837
Other	-	-	(9,987)
Net cash provided by financing activities	846,536	401,615	8,857,465
Net increase (Decrease) in cash	(159,668)	(32,744)	136,684
Cash- Beginning of Period	296,352	55,278	-
Cash- End of Period	$ 136,684	$ 22,534	$ 136,684

Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			
Interest	$ 4,054	$ -	$ 70,686
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ -	$ 576,747	$ 3,309,625
Issuance of common stock from accrued expense	$ 7,200	$ -	$ 7,200
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Prepaid insurance expense through issuance of notes	$ 12,925	$ -	$ 25,579
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

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

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

The year-end condensed balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 31, 2010.

The independent registered public accounting firm's report on the financial statements for the fiscal year ended December 31, 2009 states that because of recurring substantial losses from operations and a deficit accumulated during the development stage, there is substantial doubt about the Company's ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming the Company will continue as a going concern and 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 outcome of this uncertainty.

The Company is a voluntary filer of reports with the SEC and does not have an effective registration statement with respect to its securities. As a result, the Company may cease to file its Exchange Act reports at any time and for any reason without notice.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by ASC Topic 915, "Development Stage Entities" (formerly SFAS 7, "Accounting and Reposting by Development Stage Enterprises"), the Company is devoting substantially all of its present efforts to developing its business. Additionally, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $33,791 at both June 30, 2010 and December 31, 2009. Bad debt expense for the six months ended June 30, 2010 and June 30, 2009 were both $0. For both the three months ended June 30, 2010 and June 30, 2009, bad debt expense was $0.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Costs incurred to fund the production of advertisements are reported as a prepaid expense if the related advertisement has not yet been broadcast. Prepaid advertising cost incurred to fund the production of infomercials was $38,324 and $34,014 at June 30, 2010 and December 31, 2009, respectively. During the six months ended June 30, 2010, $11,400 of infomercial costs were amortized. Amortization costs for the six months ended June 30, 2009 were $0. For both the three months ended June 30, 2010 and June 30, 2009, amortization costs were $0.

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration are assigned a per share amount based on either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration pertains to services rendered by consultants and others. The fair value of the services received was used to record the related expense and value attributed to the shares issued. On March 18, 2010, the Company issued 1,000,000 common shares, and on May 21, 2010, the Company issued 2,200,000 common shares to consultants in respect of services provided in the year ended December 31, 2009. The shares were valued at $0.00225 per share (or $7,200 in aggregate) and were issued as payment of an accrued liability recorded in the Company's balance sheet as of June 30, 2010.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, *"Fair Value Measurements and Disclosures,"* which amends the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuance, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The guidance is effective for annual and interim reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual and interim periods beginning after December 15, 2010. The Company adopted these amendments in the first quarter of 2010 and the adoption did not have a material impact on the disclosures in the Company's financial statements.

In June 2009, the FASB issued ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which changes various aspects of accounting for and disclosures of interests in variable interest entities. ASU 2009-17 is effective for interim and annual periods beginning after November 15, 2009. The Company adopted these amendments in the first quarter of 2010 and the adoption did not have a material impact on the Company's financial statements.

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance on accounting for transfers of financial assets. This guidance was issued to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This guidance is effective for fiscal years and interim periods beginning after November 15, 2009. The adoption of this statement did not have a material effect on the Company's financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In July 2010, the Financial Accounting Standards Board ("FASB") issued new accounting guidance that will require additional disclosures about the credit quality of loans, lease receivables and other long-term receivables and the related allowance for credit losses. Certain additional disclosures in this new accounting guidance will be effective for the Company on December 31, 2010 with certain other additional disclosures that will be effective on March 31, 2011. The Company does not expect the adoption of this new accounting guidance to have a material impact on its financial statements.

BioElectronics Corporation (A Development Stage Company)
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(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2010, the FASB issued ASU 2010-13, "Compensation — Stock Compensation (Topic 718) — Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades." ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and are not expected to have a significant impact on the Company's financial statements.

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815) — Scope Exception Related to Embedded Credit Derivatives." ASU 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 will be effective on July 1, 2010 and are not expected to have a significant impact on the Company's financial statements.

In October 2009, the FASB issued ASU No. 2009-14, "Software (Topic 985) — Certain Revenue Arrangements That Include Software Elements (A Consensus of the FASB Emerging Issues Task Force)". ASU 2009-14 requires tangible products that contain software and non-software elements that work together to deliver the products essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. The Company does not expect that this standard update will have a significant impact on its financial statements.

BioElectronics Corporation (A Development Stage Company)
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(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In September 2009, the FASB issued certain amendments as codified in ASC Topic 605-25, *"Revenue Recognition; Multiple-Element Arrangements."* These amendments provide clarification on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. An entity is required to allocate revenue in an arrangement using estimated selling prices of deliverables in the absence of vendor-specific objective evidence or third-party evidence of selling price. These amendments also eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The amendments significantly expand the disclosure requirements for multiple-deliverable revenue arrangements. These provisions are to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company will adopt the provisions of these amendments in its fiscal year 2011 and is currently evaluating the impact of these amendments to its financial statements.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $986,826 for the six months ended June 30, 2010. The Company projects that it will require an additional $300,000 in working capital in the next 12 months. Management has already loaned the Company $200,000 and is committed to loan the additional $100,000. Given a current ratio of 1:4, management assumes it can finance some additional growth with asset based financing. If sales increase as anticipated, the Company will seek additional capital from new investors. The Company has prepared a financing proposal to discuss opportunities with potential investors or possible strategic partners. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory as of June 30, 2010 and December 31, 2009 are:

	June 30, 2010	December 31, 2009
Raw materials	$ 136,469	$ 27,900
Finished goods	533,832	173,459
	$ 670,301	$ 201,359

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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Machinery & Equipment	$ 112,369	$ 86,620
Leasehold improvements	6,882	6,882
	119,251	93,502
Less: accumulated depreciation	(87,921)	(79,921)
Total property and equipment, net	$ 31,330	$ 13,581

Depreciation expense on property and equipment amounted to $8,636 and $7,290 for the six months ended June 30, 2010 and June 30, 2009, respectively. For the three months ended June 30, 2010 and June 30, 2009, the depreciation expense amounted to $3,684 and $3,645, respectively.

NOTE 6 – INSURANCE PREMIUM FINANCING

During 2009, the Company entered into an insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability, general liability and product liability. The annual interest rate was 6.26%. The remaining balance of the amount financed was $12,654 as of December 31, 2009, and payments of $12,654 were made during the six months ended June 30, 2010. The interest expense for this note was $100 for the three and six months ended June 30, 2010.

On June 22, 2010, the Company entered into a new insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability to replace a portion of the policy described above. The annual interest rate is 5.51%, the amount financed is $12,925 and the first payment is due July 22, 2010.

NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY

The Company entered into an agreement (the "Agreement") on March 5, 2010, with Jarenz LLC ("Jarenz"), a related party, pursuant to which Jarenz is providing accounts receivable financing and collection services to the company.

The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a Cash Advance Amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz.

BioElectronics Corporation (A Development Stage Company)
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(Unaudited)

NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY (CONTINUED)

Jarenz's discount fee is a percentage, between 1% to 9.5%, of the Cash Advance Amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable.

The Company accounts for transactions under the Agreement as secured borrowings since the Company has not surrendered control of the transferred accounts receivable to Jarenz under the Agreement. The Company reports the proceeds received from Jarenz as a current liability. The discount fee and any subsequent interest payments are recorded as interest expense in the Statement of Operations. The accounts receivable balance at June 30, 2010 includes receivables amounting to $353,995 which have been assigned to Jarenz under the Agreement.

As at June 30, 2010, Jarenz received $423 from the assigned receivables which was not yet forwarded to the Company. Interest expense of $3,954 was recorded for the six months ended June 30, 2010, and interest expense of $3,681 was recorded for the three months ended June 30, 2010. Jarenz is a limited liability company, whose owner is the daughter of the President of the Company.

NOTE 8 – RELATED PARTY NOTES PAYABLE

On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (5.25% for the six months ended June 30, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion, at the option of the holder, into shares of the Company's common stock. A copy of the Revolver is attached here to as Exhibit 99. The Revolver is convertible at various fixed conversion prices based on the Volume-Weighted Average Price ("VWAP") for the 10 trading days preceding the date of note, which approximated the fair value of the Company's stock at the date of conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. The balance of the Revolver was $1,321,702 as at June 30, 2010.

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NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

In addition to the Revolver as described above, the Company has entered into the following convertible promissory note agreements with related parties:

Date Issued	Principal Amount	Due Date	Lender	Conversion Price
August 1, 2009	$ 519,920	August 31, 2011	IBEX, LLC	$ 0.019
February 9, 2010	135,000	February 2, 2012	IBEX, LLC	$ 0.01
March 31, 2010	310,000	March 31, 2012	IBEX, LLC	$ 0.01
April 15, 2010	20,000	April 30, 2012	IBEX, LLC	$ 0.01
May 5, 2010	120,000	May 31, 2012	IBEX, LLC	$ 0.01
May 14, 2010	100,000	May 31, 2012	IBEX, LLC	$ 0.01
June 22, 2010	130,000	June 30, 2012	IBEX, LLC	$ 0.01
June 30, 2010	$ 95,795	June 30, 2012	St. Johns, LLC	$ 0.01

Each of the above promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. Copies of notes are attached here to as Exhibit 99. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price indicated in the table above. According to the Security Agreements dated August 1, 2009 and February 9, 2010, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals. St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company.

Total interest expense incurred on the related party notes payable for the six months ended June 30, 2010 and 2009 was $65,285 and $29,712, respectively. For the three months ended June 30, 2010 and June 30, 2009, interest expense amounted to $36,264 and $20,886, respectively.

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NOTE 9 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three months ended June 30,		Six months ended June 30,	
Common Stock:	**2010**	**2009**	**2010**	**2009**
Weighted average number of shares outstanding – basic	1,473,465,538	734,726,974	1,472,398,871	567,727,334
Effect of dilutive securities:				
Options and Warrants	-	-	-	-
Weighted average number of shares outstanding – diluted	1,473,465,538	734,726,974	1,472,398,871	567,727,334
Options and Warrants not included above (anti-dilutive)				
Options to purchase common stock	-	-	350,000	350,000
Restricted Stock grants awarded to employees not yet issued	11,000,000	-	66,550,000	-
Warrants to purchase common stock	-	-	332,000	4,844,444
	11,000,000	-	67,232,000	5,194,444

NOTE 10 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

As of June 30, 2010, the Company had 27,565,000 shares available for future grant under the Plan.

Restricted Stock

The following table is a summary of activity related to restricted stock grants to directors, consultants and key employees for the six months ended June 30, 2010:

Restricted shares granted	**66,550,000**
Weighted average grant date fair value per share	**$ 0.01487**
Aggregate grant date fair value	**$ 989,445**
Restricted shares forfeited	**-**
Vesting service period of shares granted	**3 years**
Grant date fair value of shares vested	**$ -**

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Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant and then applied a liquidity discount of 50 percent. This discount rate is determined by analyzing the Company's liquidity history and using peer company data to estimate. Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

There was no restricted stock outstanding as at June 30, 2009.

The Company adopted the provisions of SFAS No. 123R in the beginning of 2006. SFAS No. 123R requires that compensation cost relating to share-based payment transactions be recognized as an expense over the service period or vesting term. Accordingly, compensation costs recognized for the restricted stock for the six months ended June 30, 2010 and 2009 totaled $123,468 and $0, respectively. For both the three months ended June 30, 2010 and 2009, compensation expense was $0.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
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NOTE 10 – SHARE BASED COMPENSATION (CONTINUED)

Stock Options
Option awards are granted with an exercise price equal to Company's bid price on the Pink Sheets on the date of grant, which is fair value. The options vest over three years of continuous service and are exercisable over ten years from the date of grant.

There were no grants, exercises or expirations of options during the six months ended June 30, 2010.

Summary information about the Company's stock options outstanding at June 30, 2010:

Exercise Price	Options Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Options Exercisable
$ 0.300	350,000	0.50	$ 0.300	350,000

NOTE 11 - WARRANTS

There were no grants, exercises or expirations of warrants during the six months ended June 30, 2010.

The following table summarizes the characteristics of the outstanding warrants as at June 30, 2010:

Exercise Price	Number	Original Term (Years)	Options outstanding weighted average remaining life in years
$ 0.33	332,000	5	0.17

NOTE 12 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, receivables, accounts payable and notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and/or approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows.

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NOTE 13 – INCOME TAXES

The Company has not provided for income tax expense for the six months ended June 30, 2010 because of a significant net operating loss carry-forward of approximately $5 million. A full valuation allowance has been recorded against the deferred tax asset resulting from the benefits associated with the net operating loss carry-forward.

NOTE 14 – COMMITMENTS AND CONTINGENCIES LITIGATION

General
In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

William Lyons v. BioElectronics Corporation
In 2005, a lawsuit was filed against the Company by William Lyons for alleged breach of contract and conversion claims associated with fees for services provided to the Company. Mr. Lyons alleged that Andrew Whelan, the President of the Company, the Company, and PAW II, a Maryland limited liability company, (collectively, "the Defendants") reached an agreement to convey stock to Mr. Lyons. The defendants deny that any such agreement was in place or that Mr. Lyons had the right to enforce such an agreement.

On May 29, 2009, through binding arbitration, Mr. Lyons was awarded approximately $1.2 million for his claims. Subsequently, on June 25, 2009 the Company filed, in the Circuit Court of Frederick County, Maryland, a Petition to Vacate Arbitration Award issued by the arbitrator. The Motion was denied by the Court on December 30, 2009.

On January 14, 2010, the Court entered Judgment in favor of Mr. Lyons and against the Defendants jointly and severally in the amount of $1,217,919. The matter is now on appeal in the Maryland Court of Special Appeals.

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NOTE 14 – COMMITMENTS AND CONTINGENCIES LITIGATION (CONTINUED)

As of the date of this filing, the Court of Special Appeals has not ruled on the Appeal. However, the Defendants intend to pursue the appeal toward either settlement or reversal. It is management's opinion that, the court's decision will be reversed on appeal or the amount of damages will be reduced because the arbitrator used information beyond the evidence to reach his verdict. Management's position is also that any Judgment against the Corporation is improper because Mr. Whelan and the other Board members present had no authority to make this agreement on behalf of the Company. The Board of Directors has had independent legal counsel prepare a complaint to pursue collection for unjust enrichment from the Directors who participated in the action.

At this time, the Company cannot accurately estimate actual damages to the claimants since the appeal is still pending. As a result of all the uncertainties, the outcome cannot be reasonably determined at this time and the Company is unable to estimate the loss, if any, in accordance with ASC Topic 450 "Contingencies" (formerly SFAS No. 5, "*Accounting for Contingencies*").

NOTE 15 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7 and Note 8, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Sales to eMarkets recognized for the three months ended June 30, 2010 and 2009 amounted to $615 and $97,477, respectively. For the three months ended June 30, 2010 and 2009, the cost of goods sold to eMarkets amounted to $220 and $26,462, respectively. Sales include $0 and $96,520 from bill and hold revenue transactions for the three months ended June 30, 2010 and 2009, respectively.

Sales transactions to eMarkets recognized for the six months ended June 30, 2010 include $1,887 in sales and $734 in cost of goods sold. For the six months ended June 30, 2009, sales to eMarkets accounted for $113,227 in sales and $29,889 in cost of goods sold to eMarkets. Sales include $0 and $112,270 from bill and hold revenue transactions for the six months ended June 30, 2010 and 2009, respectively. The balance due from eMarkets was $10,171 and $165,297 at June 30, 2010 and December 31, 2009, respectively. Such amounts were presented under "Trade receivables from related parties".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q may contain certain forward-looking statements, including without limitation, statements concerning BioElectronics Corporation ("the Company") operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "may," "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. These forward-looking statements may include statements addressing our operations and our financial performance. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties. Factors we have identified that may materially affect our results are discussed in our Annual Report on Form 10-K, including the documents, for the year ended December 31, 2009, particularly under Item 1A, "Risk Factors". In addition, other important factors to consider in evaluating such forward-looking statements include changes in external market factors, changes in the Company's business or growth strategy or an inability to execute its strategy, including due to changes in its industry or the economy generally. In light of these risks and uncertainties, there can be no assurances that the results referred to in the forward-looking statements will, in fact, occur. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made in this report, in our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

INTRODUCTION

BioElectronics Corporation (OTCPK) (the "Company") is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical, anti-inflammatory medical devices based upon proven therapy. Pulsed electromagnetic therapy has been used by physicians, sports trainers, and therapist around the world for eighty years. The Company has reduced the therapy to wafer thin devices that are applied directly to the body. The devices consist of an inexpensive microchip, battery and antenna that more effectively deliver the energy. Recent improved circuitry has created a product that heals for 10 days and can be sold at prices competitive to hot and cold packs. These products will be sold very competitively on Direct Response Television (DRTV) and in the analgesic aisle in stores around the world. The Company's design cost goal is to make its chips ubiquitous or one in every bandage.

The DRTV and online marketing platforms enable customers to easily gain access to information regarding these new and exciting consumer products and the ability to purchase these items within the convenience of their own homes. The Company works with its distribution partners to provide product distribution, fulfillment and customer interaction, including the operation of customer call centers

An increased consumer awareness of the dangers of overuse of oral analgesics such as acetaminophen and non-steroidal anti-inflammatory drugs (NSAIDs) has significantly altered the competitive landscape for pain management therapeutics. Many common anti-inflammatory pain medications are required to carry warning labels due to potential dangerous side effects (and some have been withdrawn altogether). Therefore, there is significant market opportunity for a therapeutic agent with improved efficacy and no side-effects. The distinctive value proposition of the products is the delivery of drug-free therapy that reduces pain and inflammation *and* accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The market potential is estimated at $10 billion worldwide.

The Company's immediate objective is to sell and distribute its three main products: ActiPatch® Back Pain Therapy, ActiPatch Knee Pain Therapy, and Allay™ Menstrual Cycle Pain Therapy, each of which has significant market potential. To accomplish these objectives, we incurred significant additional costs in monthly expenses to:

- File our audited financial statements with the SEC
- Obtain additional regulatory clearances in Latin America, the US and Canada.
- Establish brand management
- Conduct consumer research
- Develop infomercials
- Research and develop new products and make product improvements

During the six months ended June 30, 2010, our sales and marketing focus was on launching direct response television (DRTV) in Latin America, Canada, and preparing other international launches of DRTV campaigns. The development of our product marketing group and initiation of consumer research has increased sales and administration expense. Likewise, we have engaged B2C Agency for direct response and advertising support for the United Kingdom and European market expansion. We committed substantial resources to biophysics and regulatory consulting to obtain additional product market clearances in U.S., Latin America, and Canada. Additionally, we have also made several significant product improvements in the electronics, packaging, and affixing methods. Furthermore, as a result of our SEC filings, our accounting and legal costs have dramatically increased.

Securing additional U.S. FDA market clearance is central to market entry and product acceptance. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. We have developed a new device and honed our arguments on the power of our existing device to meet the standards for a broader indication-of-use market clearance from the U.S. FDA, and thus, we have submitted a form 510(k) for the new and existing device to the U.S. FDA for broader market clearance. The new market clearance will enable us to market and sell to all surgeons and chronic would care providers, home health care agencies, and nursing homes.

We have received a Not Significantly Equivalent (NSE) letter from the U.S. FDA for both our Actipatch musculoskeletal pain and Allay Menstrual Pain Therapy market clearance applications. We have filed formal requests to have both products reclassified under Section 513 of the Food and Drug Act. The NSE letters are required to use the simpler reclassification provisions of the Section 513. During the last several months, we have performed substantial tests and developed additional documentation to support our reclassification requests. We have also developed an alternative over-the-counter device to submit in another product category to preclude the complications of a pulsed electromagnetic classification. We are confident that we will obtain U.S. over-the-counter clearance for our products.

As of June 30, 2010, we have established distribution agreements with distributors that offer our product for sale in over 40 countries internationally, mainly in Europe, Latin America, Middle East and South East Asia. The international market is expected to further expand going forward and to eventually constitute two-thirds of our total sales.

MAJOR GOALS, SIGNIFICANT ACTIVITIES AND RESULTS DURING FIRST SIX MONTHS OF 2010

BioElectronics' operational plan is centered on marketing oriented functions. We believe our product set is very strong, our quality is very high, our ISO-certified production capabilities are extensive, and our Company is structured for accelerated growth. Over the past 24 months, the Company has significantly strengthened its product lines, improved product quality, created new packaging, and redesigned marketing materials and products.

We have several major goals to continue the advancement of business operations, including:

- Obtain additional U.S. FDA market clearances for:
  - the postoperative treatment of pain and edema in soft tissue
  - over-the-counter treatment of musculoskeletal pain
  - over-the-counter treatment of menstrual cycle pain and discomfort
  - the treatment of chronic pain
- Develop a management team, DRTV, advertising, and brand management expertise and infrastructure necessary to support large scale, multiple product offerings on a national and international level.
- Maintain primary management focus on our leading back pain, knee pain, and menstrual cycle pain blockbuster products.
- Obtain 3rd party product reimbursement (insurance coverage) for kidney compromised, cardiovascular, diabetic and C-section patients.
- Continue product improvements and manufacturing cost reductions to maintain market dominance.
- Pursue additional clinical studies and research to support sales and marketing and new product introductions.
- Optimize the Company's presence on securities exchanges.

Additional U.S. Government FDA and International Regulatory Body Filings

Outside the U.S., our products are classified as Class II devices and are sold over-the-counter. In the US, our products are currently classified as a high risk, Class III device. We have U.S. FDA market clearance for the treatment of edema following blepharoplasty. We have filed two additional 510(k) market clearance applications for "relief of musculoskeletal pain" and "relief of menstrual cycle pain and discomfort" for over-the-counter sales. Even though the U.S. FDA is reluctant to give us over-the-counter clearance for a Class III device, we are currently pursuing both reclassification and approval of the pending applications. We are also preparing an additional U.S. FDA market clearance request for our new chronic pain device and a market clearance request for post-operative pain and edema. As we expand internationally, we are required to and do obtain additional market clearance in each country.

Continue to Build Our Four Primary Markets

We augmented our marketing team with two experienced Brand Managers to help build our brands. As we grow, we plan to add additional brand management staff to manage new product categories such as foot care products, would care orthopedics, etc.

Due to BioElectronics having only limited U.S. FDA clearance of its products, mass distribution to direct consumers in the U.S. is prohibited. We believe U.S. FDA clearance for our products is forthcoming, and thus, we are currently in the process of identifying and building a domestic distribution network for both the over-the-counter and medical markets.

Continued Expansion of Our Already Growing International Distribution Network

BioElectronics has made steady, significant progress in building an international distribution network. Due to the Company obtaining over-the-counter sales approval for its products in Canada, Europe and many other markets, it has regular interest from international distribution companies to market and distribute the product lines. Our strategy is to partner with distributors that have the experience and financial ability to place our products into the consumer goods retail sales channels. We have seen success in executing this strategy relative to Canada, Western Europe, South-East Asia and the Middle East. Since retail distribution is a core strategy, the Company is regularly in negotiations with existing and future distributors, and anticipates signing additional contracts with qualified distributors in Asia, Europe, and other international locations.

The Company developed Direct Response Television (DRTV) materials produced by leading companies (Schulberg Media Works for English-speaking markets, and RC Productions for Hispanic markets) for both the ActiPatch Back Pain product and the Allay Menstrual Pain Therapy product. Subsequently, the commercials are extremely helpful with establishing partnerships with major DRTV companies to test our products in many countries. The Company contracted with TeleDEPOT in Latin America, where it completed a very successful test in several countries. In Turkey, the distributor has created a Turkish Allay infomercial and has begun DRTV testing and retail distribution. In Canada, the Company has assumed sales and marketing responsibilities to prepare for its U.S. launch and to introduce its new disposable products.

Other Issues Relative to Plan of Operations

Cash Requirements - BioElectronics is currently in a positive current asset position with its current assets exceeding current liabilities. As is typical for most growth companies, BioElectronics may, in the future, need to raise additional funds to finance its working capital requirements. It is unknown at this time how much, if any, additional funds will be needed to execute our business plan, as it is highly dependent upon our sales growth trajectory over the coming quarters.

Research and Development – Our products are substantially developed and ready for sale, and many of our products are currently offered for sale on the international market. We are designing several new products based on our core technologies with developmental costs being financed by funds provided by related parties.

Expected Purchase or Sale of Plant and Significant Equipment - BioElectronics does not anticipate any major purchases or sales of plant or significant equipment.

Expected Changes in the Number of Employees - We are currently recruiting new talent and expect our hiring will focus on marketing personnel, support, and manufacturing staff. Our hiring plans are dependent upon revenue growth rates over the coming quarters.

RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, "Development Stage Enterprise", and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000, to June 30, 2010. Apart from the additional financial information provided regarding our financial results for the period from inception, April 10, 2000, to June 30, 2010, our designation as a Development Stage Company did not affect our accounting or other information provided in our financial statements.

Three and Six Months Ended June 30, 2010 and 2009

Revenue. Revenue from operations for the three months ended June 30, 2010 and 2009 amounted to approximately $331,000 and $222,000, respectively, an increase of $109,000 or 49% over the prior year. Revenues were approximately $613,000 and $516,000, for the six months ended June 30, 2010 and 2009, respectively, resulting in an increase of $97,000 or 19% over the prior year. The following table summarizes the Company's domestic, international and veterinary (related party) revenues earned during the three and six months ended June 30, 2010 and 2009:

	For the three months ended, June 30				For the six months ended, June 30			
	2010		2009		2010		2009	
	Amounts	Percentage	Amounts	Percentage	Amounts	Percentage	Amounts	Percentage
International	$ 291,904	88%	$ 70,215	32%	$ 551,907	90%	$ 190,426	37%
Domestic	39,169	12%	54,183	24%	59,452	10%	212,803	41%
Veterinary	406	0%	97,477	44%	1,887	0%	113,227	22%
	$ 331,479	100%	$ 221,875	100%	$ 613,246	100%	$ 516,456	100%

International sales increased by approximately $222,000 or 316% in the three months ended June 30, 2010 and $361,000 or 190% in the six months ended June 30, 2010 from the comparative periods in 2009 as a result of new distributorship agreements signed in 2010 and increased sales through agreements signed in prior years. Domestic sales reduced by approximately $15,000 or 28% in the three months ended June 30, 2010 and $153,000 or 72% in the six months ended June 30, 2010 from the comparative periods in 2009. The reduction for the six month period resulted from sales of special cervical devices totaling $100,000 in 2009.

Veterinary revenues of $406 and $97,477 were recorded in the three months ended June 30, 2010 and 2009, respectively, and $1,887 and $113,227 were recorded in the six months ended June 30, 2010 and 2009, respectively. The reduction in veterinary revenues is primarily due to eMarkets requesting shipment of the bill and hold transactions from 2009 in lieu of purchasing additional units. eMarkets is our exclusive distributor of veterinary products to customers in certain countries outside of the United States.

At June 30, 2010, the Company has not yet delivered 43,005 units, totaling approximately $365,000 bill and hold sales recognized for the year ended December 31, 2009. The units will be shipped during 2010 to help meet the distribution 2010 purchase obligation.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the three months ended June 30, 2010 and 2009 amounted to approximately $126,000 and $82,000, respectively, and for the six months ended June 30, 2010 and 2009 amounted to approximately $247,000 and $158,000, respectively. Gross margin decreased from approximately 69% of sales for the six months ended June 30, 2009 to approximately 60% for the six months ended June 30, 2010. The decrease was primarily the result of replacing 7,500 defective units totaling approximately $30,000 in cost of goods sold. Other factors include higher production costs, which arose from an increase in the use of contingent workers to expedite shipment of the new Allay packaging, and higher shipping costs related to international sales. We expect the normal gross margins on our products to be in the range of 66 % to 70 % of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. General and administrative expenses for the three months ended June 30, 2010 and 2009 amounted to approximately $652,000 and $187,000, respectively, and increase of $465,000 or 249%. For the six months ended June 30, 2010, general and administrative expenses amounted to approximately $1,278,000 as compared to $447,000 in comparative period of 2009, an increase of $831,000 or 186% over the prior period. The following table summarizes the Company's general and administrative expenses for the three and six months ended June 30, 2010 and 2009:

	Three months ended June 30,		Six months ended June 30,	
General and Administrative Expenses:	**2010**	**2009**	**2010**	**2009**
Depreciation and Amortization	$ 13,265	$ 3,645	$ 20,036	$ 7,290
Investor Relations Expenses	8,712	6,195	54,611	11,585
Legal and Accounting Expenses	168,655	50,632	369,590	69,330
Payroll Expenses	245,828	44,471	427,481	90,388
Sales Support Expenses	79,933	16,220	151,700	110,013
Other General and Administrative Expenses	136,053	65,494	254,976	158,443
Total General and Administrative Expenes	$ 652,446	$ 186,657	$ 1,278,394	$ 447,049

The Other General and Administrative Expenses include all payroll and related costs for the Company's management, accounting, and administrative functions. The increase in Other General and Administrative Expenses for the three and six months ended June 30, 2010 was primarily driven by an increase in sales and marketing personnel. The payroll, compensation, and other payroll related expenses for the six months ended June 30, 2010 increased by approximately $337,000 compared to the previous period in 2009. Additionally for the six month ended June 30, 2010, there was an increase in consulting expense of approximately $50,000 for consulting services related to product enhancements and preparing support for submissions to the FDA, and there was an increase in travel expense of approximately $15,000 related to several new trade shows and international distribution. Further factors in the overall increase of General and Administrative Expenses are attributed to accounting, legal and investor relation consulting expenses necessary to prepare annual, quarterly and other reports for filing with the SEC.

Interest Expense. Interest expense increased to approximately $40,000 for the three months ended June 30, 2010 from approximately $21,000 in the comparable period in 2009. For the six months ended June 30, 2010 and 2009, interest expense amounted to $69,000 and $41,000, respectively. The increase in interest expense was mainly attributed to the new financing loans with IBEX, LLC and St. Johns, LLC. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company

Net Loss. Net losses during the three months ended June 30, 2010 and 2009 amount to approximately $492,000 and $68,000, respectively. Net losses increased from approximately $129,000 during the first six months of 2009 to approximately $987,000 during the comparative period in 2010. Losses were increased primarily due to increase in general and administrative expense and interest expense.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds are primarily cash flows from financing activities. We raise funds for our operations by borrowing on notes, agreements with third parties and related parties, and selling equity in the capital markets. We are still operating as a development stage company, in which we are devoting substantially all of our present efforts to developing our business. For every year and period since our inception, we have generated negative cash flow from operations. At June 30, 2010, our cash and cash equivalents were approximately $137,000. Since December 31, 2009, our balance of cash and cash equivalents decreased by approximately $160,000 as a result of our loss from operations in the first six months of 2010 of $986,826, offset by changes in our working capital balances and proceeds received from our financing activities, primarily proceeds from the issuance of related party notes payable and assignment of receivables under our factoring agreement with Jarenz LLC ("Jarenz"), a related party. Jarenz is a limited liability company, whose owner is the daughter of the President of the Company.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members, and their immediate family and associates. As of June 30, 2010, all of the Company's debt was provided by these related parties. We present the secured borrowing as short-term liabilities and the notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts.

At June 30, 2010, we had positive working capital of approximately $1,128,000 which is comparable to approximately $1,026,000 at December 31, 2009.

On January 1, 2005, we entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (i.e. 5.25% for the six months ended June 30, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of our common stock. The Revolver is convertible at various fixed conversion prices based on the Volume-Weighted Average Price ("VWAP") for the 10 trading days preceding the date of note, which approximated the fair value of the Company's stock at the date of conversion. As of June 30, 2010, an amount of approximately $1,322,000 was drawn from the Revolver.

We refer to Note 8 of our interim financial statements included in this Report on Form 10-Q which contains information on borrowings received in the form of promissory notes from IBEX, LLC and St. Johns, LLC.

The Company entered into an Agreement (the "Agreement") on March 5, 2010, with Jarenz pursuant to which Jarenz is providing accounts receivable financing and collection services to the Company. The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a cash advance amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz. Jarenz's discount fee is a percentage of the cash advance amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable. As at June 30, 2010, 10% of the initial down payment of the assigned receivables was drawn totaling approximately $86,000. The Company will draw further cash advance amounts upon additional financing needs.

Net Cash Used In Operating Activities. Net cash used in operating activities amounted to approximately $975,000 and $434,000 in the six months ended June 30, 2010 and June 30, 2009, respectively.

Net cash used in operating activities amounted to approximately $975,000 for the six months ended June 30, 2010 primarily as a result of the net loss incurred, offset by changes in the Company's capital balances including an increase in trade and other receivables of approximately $164,000, increase in accounts payable of approximately $167,000, and increase in inventory of approximately $468,000.

Net cash used in operating activities amounted to approximately $434,000 for the six months ended June 30, 2009 primarily as a result of the net loss incurred, offset by changes in the Company's capital balances including an increase in trade and other receivables of approximately $154,000, decrease in accounts payable of approximately $87,000, increase in inventory of approximately $78,000, and decrease in customer deposits of approximately $119,000.

Net Cash Used in Investing Activities. During the six months ended June 30, 2010, we purchased approximately $31,000 of laboratory equipment to develop new products and to improve quality assurance. We did not make any significant investments in fixed or other long-term assets during the six months ended June 30, 2009.

Net Cash Provided by Financing Activities. Net cash provided by financing activities amounted to approximately $847,000 and $402,000 in six months ended June 30, 2010 and June 30, 2009, respectively. The increase of approximately $445,000 was primarily because of the increase in proceeds obtained from related party notes payable of approximately $533,000.

During the six months ended June 30, 2010, the Company generated approximately $847,000 in cash from financing activities through the issuance of notes payable to related parties (amounting to $815,000) and the assignment of receivables to related parties (amounting to $86,000). The proceeds received from these activities were used to repay notes payable and financing of receivable (amounting to $54,000) and to fund operations during the year.

During the six months ended June 30, 2009, the Company generated $402,000 in cash from financing activities mainly through the issuance of related party notes payable (amounting to $282,000) and the sale of common shares (amounting to $190,000). The funds received were used to repay certain notes payable and related party notes payable (amounting to $71,000) and to fund operations.

Going concern. The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. We have incurred substantial losses from operations in the six months ended June 30, 2010 and prior years, including a net loss of approximately $987,000 and $268,000 for the six months ended June 30, 2010 and June 30, 2009 respectively. The Company also has an accumulated deficit as of June 30, 2010 of $11,651,316.

The Company projects that it will require an additional $300,000 in working capital in the next 12 months. Management has already loaned the Company $200,000 and is committed to loan the additional $100,000. Given a current ratio of 1:4, management assumes it can finance some additional growth with asset based financing. If sales increase as anticipated, the Company will seek additional capital from new investors. The Company has prepared a financing proposal to discuss opportunities with potential investors or possible strategic partners. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all of our transactions in U.S. dollars and therefore do not have any foreign currency exchange risk.

Item 4T. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President, Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating these disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of disclosure controls and procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q are recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our President, Chief Executive Officer and Chief Financial Officer, and other management, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, our President, Chief Executive Officer and Chief Financial Officer after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, subject to the inherent limitations noted in this Part II, Item 9A, as of June 30, 2010, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2009, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including:

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently only have one independent director on our board, which is comprised of three directors, and on our audit committee, which is comprised of one director. Although we are considered a controlled company, whereby a group holds more than 50% of the voting power and as such are not required to have a majority of our board of directors be independent, it is our intention to have a majority of independent directors in due course.

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the six months ended June 30, 2010, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, ("Berenfeld, Spritzer"), with our Audit Committee with respect to Berenfeld, Spritzer's audit procedures for fiscal 2009, Berenfeld, Spritzer informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board ("PCAOB").

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2010 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described in this Quarterly Report on Form 10-Q. Such remediation activities include the following:

- At an appropriate time, we will recruit one or more additional independent board members to join our board of directors. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.

- We will hire or engage additional qualified and experienced accounting personnel as necessary to review our quarter-end closing processes as well as provide additional oversight and supervision within the accounting department.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Controls over Financial Reporting

There were no significant changes in internal control over financial reporting during the second quarter of 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and Andrew Whelan, President & CEO, were defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claimed that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was removed from Maryland state court to arbitration provided for in the contract at issue. The plaintiff prevailed in arbitration, and a judgment was entered against BioElectronics Corporation, PAW, LLC and Andrew Whelan in the amount of $1,217,919.10. The Company believes the plaintiff's claims to be without merit and the arbitrator's decision to have been possible only by a manifest disregard of the law. As such, the Company and Mr. Whelan filed a Petition to Vacate Arbitration Award with the Maryland Court of Special Appeals. Though no rulings have yet been issued, a mediation hearing on the petition was held on June 17, 2010. During the mediation hearing, no resolution was made, and the mediation was terminated. The Company intends to continue defend the matter and vigorously pursue any and all available remedies.

The Board of Directors has had independent legal counsel prepare a complaint to pursue collection for unjust enrichment from the Directors who participated in the action.

Item 1A. Risk Factors. As a smaller reporting company, Registrant is not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On March 18, 2010 and May 21, 2010, the Company issued and tendered 1,000,000 and 2,200,000 common shares to consultants in respect of services provided in the year ended December 31, 2009. The shares were recorded at $0.00225 per share (or $7,200 in aggregate), and the related expense was recorded in the prior year.

Item 3. Defaults Upon Senior Securities.

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

Item 4. (Removed and Reserved). Not applicable.

Item 5. Other Information. Not applicable

Item 6. Exhibits.

Exhibit 31.1. Certification of Principal Executive Officer and Principal Financial Officer
Exhibit 32.1. Certification of Andrew Whelan, Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
Exhibit 99. Additional Exhibits

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in Frederick, Maryland, on August 16, 2010.

BIOELECTRONICS CORPORATION

August 16, 2010

By: /S/ ANDREW WHELAN

Andrew Whelan

President, Chief Executive Officer, Chief Financial Officer and Director

(Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on August 16, 2010.

Signature	Title
/S/ ANDREW WHELAN **Andrew Whelan**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Financial Officer)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 2010

Commission File Number 000-51809

BIOELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**52-2278149**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

4539 Metropolitan Court
Frederick, Maryland 21704
(Address of principal executive offices and zip code)

Phone: 301.874.4890
Fax: 301.874.6935
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such returns), (2) has been subject to such filing requirements for the past 90 days. YES ☐ NO ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐	Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Number of shares of common stock, issued and outstanding as of November 5, 2010 is 1,499,448,871

BIOELECTRONICS CORPORATION

(A Development Stage Company)

BIOELECTRONICS CORPORATION

(A Development Stage Company)
FORM 10-Q
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PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

"We", "Us", "Our" and "BIEL" unless the context otherwise requires, means BioElectronics Corporation

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	As of September 30, 2010 (Unaudited)	As of December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 55,676	$ 296,352
Trade and other receivables, net	-	402,003
Trade receivable assigned to related party	497,147	-
Trade receivable from related parties	53,971	165,297
Inventory	898,011	201,359

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	As of September 30, 2010 (Unaudited)	As of December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 55,676	$ 296,352
Trade and other receivables, net	-	402,003
Trade receivable assigned to related party	497,147	-
Trade receivable from related parties	53,971	165,297
Inventory	898,011	201,359
Prepaid expenses and others	66,915	102,635
Total current assets	1,571,720	1,167,646
Property and equipment	119,251	93,502
Less: Accumulated depreciation	(91,207)	(79,921)
Property and equipment, net	28,044	13,581
Total assets	$ 1,599,764	$ 1,181,227
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	$ 243,425	$ 85,661
Accrued expenses	249,470	43,241
Notes payable	19,536	12,654
Financing of receivables with related party	67,958	-
Total current liabilities	580,389	141,556
Long-term liabilities:		
Related party notes payable	3,495,164	1,824,176
Total liabilities	4,075,553	1,965,732
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 1,500,000,000 authorized at September 30, 2010 and December 31, 2009 and 1,499,448,871 and 1,470,998,871 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	1,499,448	1,470,999
Additional paid-in capital	8,624,432	8,408,986
Deficit accumulated during the development stage	(12,599,669)	(10,664,490)
Total stockholders' deficiency	(2,475,789)	(784,505)
Total liabilities and stockholders' deficiency	$ 1,599,764	$ 1,181,227

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

BioElectronics Corporation (A Development Stage Company)

Condensed Statements of Operations

BioElectronics Corporation (A Development Stage Company)

Condensed Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Period from April 10, 2000 (Inception) to September 30, 2010
Sales	$ 50,470	$ 74,874	$ 663,717	$ 591,330	$ 4,115,301
Cost of Goods Sold	56,811	12,852	303,457	170,933	1,817,950
Gross profit	(6,341)	62,022	360,260	420,397	2,297,351
General and Administrative Expenses:					
Depreciation and Amortization	12,867	3,645	32,903	10,935	129,616
Investor Relations Expenses	17,313	-	71,923	11,585	1,666,484
Legal and Accounting Expenses	94,636	-	464,226	49,208	1,247,279
Sales Support Expenses	314,363	-	466,064	54,523	1,893,994
Other General and Administrative Expenses	454,940	102,608	1,137,398	427,191	8,323,530
Total General and Administrative Expenses	894,119	106,253	2,172,514	553,442	13,260,903
Loss from Operations	(900,460)	(44,231)	(1,812,254)	(133,045)	(10,963,552)
Interest Expense and Other:					
Interest Expense	(47,891)	(42,904)	(117,234)	(83,505)	(1,594,574)
Loss on Disposal of Assets	-	-	(5,691)	-	(41,543)
Total Interest Expense and Other	(47,891)	(42,904)	(122,925)	(83,505)	(1,636,117)
Loss Before Income Taxes	(948,351)	(87,135)	(1,935,179)	(216,550)	(12,599,669)
Provision for Income Tax Expense	-	-	-	-	-
Net loss	$ (948,351)	$ (87,135)	$ (1,935,179)	$ (216,550)	$ (12,599,669)
Net loss Per Share - Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	1,499,448,871	1,325,999,863	1,481,415,538	820,484,844	N/A

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Period from April 10, 2000 (Inception) to September 30, 2010
Cash flows from Operating Activities:			
Net loss	$ (1,935,179)	$ (216,550)	$ (12,599,669)

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Period from April 10, 2000 (Inception) to September 30, 2010
Cash flows from Operating Activities:			
Net loss	$ (1,935,179)	$ (216,550)	$ (12,599,669)
Adjustment to Reconcile Net Loss to Net Cash Used In Operating Activities:			
Depreciation and amortization	22,686	10,935	120,970
Provision for bad debts	-	-	58,255
Amortization of non-cash debt issuance costs	-	-	725,373
Non-cash expenses	-	210,960	1,455,978
Stock-based employee compensation expense	206,696	-	244,637
Non-cash interest related to notes payable	-	5,018	592,418
Non-cash interest related to related party notes payable	112,202	114,182	(66,585)
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	178,786	-	741,562
Loss on disposal of property and equipment	5,691	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	435,794	(113,467)	(189,759)
Trade receivables assigned to related party	(530,938)	-	(530,938)
Inventory	(696,652)	(188,400)	(898,011)
Trade receivable from related parties	111,326	-	111,326
Prepaid expenses and others	37,245	(24,100)	(52,735)
Increase (Decrease) in:			
Accounts payable	157,764	(329,695)	383,673
Accrued expenses	213,429	(243,453)	465,112
Customer deposits	-	(119,398)	-
Net cash used in operating activities	(1,681,150)	(893,968)	(9,266,998)
Cash flows from Investing Activities			
Acquisition of property and equipment	(31,440)	-	(160,169)
Net cash Used in Investing Activities	(31,440)	-	(160,169)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	(6,043)	(62,000)	(534,262)
Proceeds from related party notes payable	1,410,000	1,731,186	6,214,953
Proceeds from financing of receivables with related party	116,978	-	116,978
Payments on related party notes payable	-	(931,600)	(969,803)
Payments for financing of receivables with related party	(49,021)	-	(49,021)
Proceeds from issuance of common stock	-	790,200	3,623,837
Other	-	-	(9,987)
Net cash provided by financing activities	1,471,914	1,527,786	9,482,843
Net increase (Decrease) in cash	(240,676)	633,818	55,676
Cash- Beginning of Period	296,352	55,278	-
Cash- End of Period	$ 55,676	$ 689,096	$ 55,676
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			

Interest	$ 5,132	$ -	$ 71,764
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 30,000	$ 991,201	$ 3,339,625
Issuance of common stock from accrued expense	$ 7,200	$ -	$ 7,200
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Prepaid insurance expense through issuance of notes	$ 23,348	$ -	$ 36,002
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

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

NOTE 1 - BASIS OF PRESENTATION

The Company

The unaudited condensed financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. All such adjustments are of a normal recurring nature. Although, the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), have been condensed or omitted pursuant to such rules and regulations.

The year-end condensed balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 31, 2010.

The independent registered public accounting firm's report on the financial statements for the fiscal year ended December 31, 2009 states that because of recurring substantial losses from operations and a deficit accumulated during the development stage, there is substantial doubt about the Company's ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming the Company will continue as a going concern and 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 outcome of this uncertainty.

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

Background

BioElectronics Corporation (OTCQB) (the "Company") is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical, anti-inflammatory medical devices based upon proven therapy. Pulsed electromagnetic therapy has been used by physicians, sports trainers, and therapist around the world for eighty years. The Company has reduced the therapy to wafer thin devices that are applied directly to the body. The devices consist of an inexpensive microchip, battery and antenna that more effectively deliver the energy. Recent improved circuitry has created a product that heals for 10 days and can be sold at prices competitive to hot and cold packs. These products will be sold very competitively on Direct Response Television (DRTV), Direct-To-Consumer (DTC) and in the analgesic aisle in stores around the world. The Company's design cost goal is to make its chips ubiquitous or one in every bandage.

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

Background

BioElectronics Corporation (OTCQB) (the "Company") is the developer, marketer and manufacturer of patented, inexpensive, drug-free, topical, anti-inflammatory medical devices based upon proven therapy. Pulsed electromagnetic therapy has been used by physicians, sports trainers, and therapist around the world for eighty years. The Company has reduced the therapy to wafer thin devices that are applied directly to the body. The devices consist of an inexpensive microchip, battery and antenna that more effectively deliver the energy. Recent improved circuitry has created a product that heals for 10 days and can be sold at prices competitive to hot and cold packs. These products will be sold very competitively on Direct Response Television (DRTV), Direct-To-Consumer (DTC) and in the analgesic aisle in stores around the world. The Company's design cost goal is to make its chips ubiquitous or one in every bandage.

The DRTV and online marketing platforms enable customers to easily gain access to information regarding these new and exciting consumer products and the ability to purchase these items within the convenience of their own homes. The Company works with its distribution partners to provide product distribution, fulfillment and customer interaction, including the operation of customer call centers

An increased consumer awareness of the dangers of overuse of oral analgesics such as acetaminophen and non-steroidal anti-inflammatory drugs (NSAIDs) has significantly altered the competitive landscape for pain management therapeutics. Many common anti-inflammatory pain medications are required to carry warning labels due to potential dangerous side effects (and some have been withdrawn altogether). Therefore, there is significant market opportunity for a therapeutic agent with improved efficacy and no side-effects. The distinctive value proposition of the products is the delivery of drug-free therapy that reduces pain and inflammation *and* accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The market potential is estimated at $10 billion worldwide.

The Company's immediate objective is to sell and distribute its three main products: ActiPatch ® Back Pain Therapy, ActiPatch Knee Pain Therapy, and Allay™ Menstrual Cycle Pain Therapy, each of which has significant market potential. To accomplish these objectives, we incurred significant additional costs in period expenses to:

- File our audited financial statements and other reports with the SEC
- Obtain additional regulatory clearances in Latin America, and U.S.
- Grow our international distribution network
- Establish global brand management
- Conduct consumer and market research in more areas
- Develop and broadcast infomercials
- Research and develop new products and make product improvements

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

During the nine months ended September 30, 2010, our sales and marketing focus was on launching DRTV in Latin America, Canada, and preparing other international launches of DRTV campaigns. The development of our product marketing group and initiation of consumer research has increased sales and administration expense. Likewise, we have engaged B2C Agency for direct response and advertising support for the United Kingdom and European market expansion. We committed substantial resources to biophysics and regulatory consulting to obtain additional product market clearances in U.S., Latin America, and Canada. Additionally, we have also made several significant product improvements in the electronics, packaging, and affixing methods. Furthermore, as a result of our SEC filings, our accounting and legal costs have dramatically increased.

The Company is also focused on the domestic plastic surgery market, based on our U.S. Food and Drug Administration (FDA) market clearance that is limited for post eye surgery, and with prescription use only. In the prior fiscal year, we changed our marketing and sales focus to the DTC markets for menstrual pain and back pain, where we concentrate on DRTV and retail presence. The DTC and DRTV markets are more attractive because:

1. Our products are sold directly, allowing us to control the marketing;

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

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1. Our products are sold directly, allowing us to control the marketing;

2. Back Pain and Menstrual Pain products are much larger than post plastic surgery market. For example, in the US alone:

    a. Back injuries are the leading cause of disability in the United States for people younger than 45 years of age and represent the most expensive health care problem for people between 20 years and 50 year old;

    b. Approximately 1.0% of the United States population is chronically disabled due to back pain and an additional 1% is temporarily disabled and;

    c. Each year, two percent of the United States work force has compensable back injuries each year;

    d. Patients suffering from back pain consume more that $90 billion annually in health-care expenses, with approximately $26 billion of that amount directly attributable to treating back pain;

    e. A study by Duke University found the annual per capita expenditures for patients with back pain were 1.6 times higher than those without back pain.

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

3. The Over-the-counter (OTC) markets are more accessible internationally where we already have regulatory approvals to sell our products without prescription. DRTV helps us access these markets very fast, with only modest investments to start a campaign.

This significant change in company strategy is resulting in improvements in product response, capture rate, pricing, market penetration, and other internal key performance measures. During this expense, we developed new products that are much more consumer oriented, supported with advanced market research and marketing strategy. Examples of our new and exciting products include:

1. Allay Menstrual Pain Therapy (disposable version) – We have developed a monthly device with a much thinner and smaller profile results in better market pricing. We support the marketing of this device by a new tagline "So you can be there... and be yourself". This tagline and theme was developed after extensive one-on-one interview sessions, using advanced interview techniques. We also recently commenced a DRTV campaign with a new and exciting product in the UK that targets consumers to enroll in our "Loyalty Program." As a member of the Loyalty Program, consumers receive mothly product shipments and better pricing. Using this continuity model, we develop highly loyal customers who purchase in excess of $150 of product annually.

2. Insole Product – We just started manufacturing a new product that has our device inside a gel insole. This new product will be the only gel insole with an actual active therapeutic agent that treats inflammation and pain at the source for the tens of millions of people who suffer

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

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2. Insole Product – We just started manufacturing a new product that has our device inside a gel insole. This new product will be the only gel insole with an actual active therapeutic agent that treats inflammation and pain at the source for the tens of millions of people who suffer from heel pain, where the main injury condition is called Plantar Fasciitis. Together with our clinical study for patients with Plantar Fasciitis, we will be able to make a successful marketing campaign for the new insoles. This product has a significant competitive advantage over any other product in the market. While we are able to produce and market it ourselves, for this specific product we are not eliminating the option to partner with large international players in the insole market.

3. ActiPatch New Product Line – As with Allay, our current ActiPatch device works for at least 720 hours. We are replacing it with a device that works for 5-7 days, and be sold for a lower price, to increase trial and repeat purchase. Our products area very cost-effective alternative therapy, especially with improvements to our targeted pricing and production processes.

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

Securing additional U.S. FDA market clearance is central to market entry and product acceptance. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. We have developed a new device and honed our arguments on the power of our existing device to meet the standards for a broader indication-of-use market clearance from the U.S. FDA, and thus, we have submitted three form 510(k)'s for the new and existing device to the U.S. FDA for broader market clearance. The new market clearance will enable us to market and sell to all surgeons and chronic would care providers, home health care agencies, and nursing homes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities," the Company is devoting substantially all of its present efforts to developing its business, developing markets, training and development of personnel, raising capital, and financial planning. Consequently, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. Accordingly, other activities have commenced but there has been no significant revenue therefrom. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred as the Company continues to obtain FDA approval for its products.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as short-term investments.

TRADE RECEIVABLES

NOTE 1 - BASIS OF PRESENTATION (CONTINUED)

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The Company considers all highly liquid instruments purchased with an original maturity of three months or less as short-term investments.

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are reviewed and determined based on a number of factors on a weekly basis, including the current financial condition of specific customers, the age of specific trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $33,791 at both September 30, 2010 and December 31, 2009. Bad debt expense for the nine months ended September 30, 2010 and September 30, 2009 were $0 and $5,085, respectively. For the three months ended September 30, 2010 and September 30, 2009, bad debt expense was $0 and $5,085, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. However, costs incurred to fund the production of advertisements are capitalized and reported as a prepaid expense if the related advertisement has not yet been broadcast to the public. Any prepaid costs are amortized over the contract period directly attributable to a specific broadcast. Prepaid advertising cost incurred to fund the production of infomercials, as part of our DRTV campaign, was $38,324 and $34,014 at September 30, 2010 and December 31, 2009, respectively. Amortized advertising costs for the nine months ended September 30, 2010 and September 30, 2009 were $20,980 and $0, respectively. Amortized advertising costs for the three months ended September 30, 2010 and September 30, 2009 were $9,581 and $0, respectively.

REVENUE RECOGNITION

Sales and related cost of product sold are recognized when legal title passes to the purchaser, which is primarily upon shipment of products. When customers, under the terms of specific orders, request that the Company invoice goods and hold the goods ("Bill and Hold") for future shipment, the Company recognizes revenue when legal title to the finished goods inventory passes to the purchaser. Generally, the Company receives cash from the purchaser when legal title passes. The Company believes it has met the criteria required by the accounting standards for Bill and Hold treatment.

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. However, costs incurred to fund the production of advertisements are capitalized and reported as a prepaid expense if the related advertisement has not yet been broadcast to the public. Any prepaid costs are amortized over the contract period directly attributable to a specific broadcast. Prepaid advertising cost incurred to fund the production of infomercials, as part of our DRTV campaign, was $38,324 and $34,014 at September 30, 2010 and December 31, 2009, respectively. Amortized advertising costs for the nine months ended September 30, 2010 and September 30, 2009 were $20,980 and $0, respectively. Amortized advertising costs for the three months ended September 30, 2010 and September 30, 2009 were $9,581 and $0, respectively.

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ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration are assigned a per share amount based on either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration pertains to services rendered by consultants and others. The fair value of the services received was used to record the related expense and value attributed to the shares issued. Fair value is calculated in accordance with ASC 718 – Stock Compensation, whereby the Company accounts for the compensation cost based on the grant date. On March 18, 2010, the Company issued 1,000,000 common shares, and on May 21, 2010, the Company issued 2,200,000 common shares to consultants in respect of services provided in the year ended December 31, 2009. The shares were valued at $0.00225 per share (or $7,200 in aggregate) and were issued as payment of an accrued liability recorded in the Company's balance sheet as of September 30, 2010.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In May 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-19, " *Multiple Foreign Currency Exchange Rates* (Topic 830) " . The amendments in this Update are effective for reported balances in an entity's financial statements that differ from their underlying U.S. dollar denominated values occurring in the first interim or annual period ending on or after March 15, 2010. The amendments are to be applied retrospectively. The Company adopted these amendments in 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

In April 2010, the FASB issued ASU 2010-18, " *Receivables* (Topic 310): *Effect of a Loan Modification When the Loan is Part of a Pool That Is Accounted for as a Single Asset* ." The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted. The Company adopted these amendments in the third quarter of 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

In April 2010, the FASB issued ASU 2010-17, " *Revenue Recognition—Milestone Method*", which provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research and development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In May 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-19, " *Multiple Foreign Currency Exchange Rates* (Topic 830) " . The amendments in this Update are effective for reported balances in an entity's financial statements that differ from their underlying U.S. dollar denominated values occurring in the first interim or annual period ending on or after March 15, 2010. The amendments are to be applied retrospectively. The Company adopted these amendments in 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

In April 2010, the FASB issued ASU 2010-18, " *Receivables* (Topic 310): *Effect of a Loan Modification When the Loan is Part of a Pool That Is Accounted for as a Single Asset* ." The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted. The Company adopted these amendments in the third quarter of 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

In April 2010, the FASB issued ASU 2010-17, " *Revenue Recognition—Milestone Method"*, which provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research and development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. ASU 2010-17 is effective for milestones achieved in fiscal years, and interim periods within those years beginning on or after June 15, 2010 with prospective application. Early adoption is permitted with specific provisions. The Company adopted these amendments in the third quarter of 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

In March 2010, the FASB issued ASU No. 2010-11, *"Derivatives and Hedging (Topic 815) — Scope Exception Related to Embedded Credit Derivatives."* ASU 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The Company adopted these amendments in the third quarter of 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In October 2009, the FASB issued ASU No. 2009-14, *"Software (Topic 985) — Certain Revenue Arrangements That Include Software Elements (A Consensus of the FASB Emerging Issues Task Force)"*. ASU 2009-14 requires tangible products that contain software and non-software elements that work together to deliver the products essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. This standard update may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. The adoption of this standard did not have and is not expected to have a significant impact on the Company's financial statements.

In September 2009, the FASB issued ASU 2009-13 (Topic 605-25), *"Revenue Recognition; Multiple-Element Arrangements."* These amendments provide clarification on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. An entity is required to allocate revenue in an arrangement using estimated selling prices of deliverables in the absence of vendor-specific objective evidence or third-party evidence of selling price. These amendments also eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. The amendments significantly expand the disclosure requirements for multiple-deliverable revenue arrangements. These provisions are to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company adopted these amendments in the third quarter of 2010 and the adoption did not have and is not expected to have a material impact on the disclosures in the Company's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In October 2009, the FASB issued ASU No. 2009-14, *"Software (Topic 985) — Certain Revenue Arrangements That Include Software Elements (A Consensus of the FASB Emerging Issues Task Force)"*. ASU 2009-14 requires tangible products that contain software and non-software elements that work together to deliver the products essential functionality to be evaluated under the accounting standard regarding multiple deliverable arrangements. This standard update may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. The adoption of this standard did not have and is not expected to have a significant impact on the Company's financial statements.

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Recently Issued Accounting Pronouncements Not Yet Adopted

In July 2010, the FASB issued ASU 2010-20, " *Receivables (Topic 310): Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"*, which will require additional disclosures about the credit quality of loans, lease receivables and other long-term receivables and the related allowance for credit losses. Certain additional disclosures in this new accounting guidance will be effective for the Company on December 31, 2010 with certain other additional disclosures that will be effective on March 31, 2011. The Company does not expect the adoption of this new accounting guidance to have a material impact on its financial statements.

In April 2010, the FASB issued ASU 2010-13, *"Compensation — Stock Compensation (Topic 718) — Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades."* ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and are not expected to have a significant impact on the Company's financial statements.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. Due to the "start up" nature of our business, we expect to incur losses as we continue to identify and develop new markets and distributors. These conditions raise substantial doubt about our ability to continue as a going concern. Management recognizes that in order to meet our capital requirements, and continue to operate, additional financing will be necessary. We are evaluating alternative sources of financing to improve our cash position and are undertaking efforts to raise capital, but there is no assurance that such additional funds will be available for us to finance our operations on acceptable terms, if at all. If we are unable to raise additional capital or generate positive cash flow, it is unlikely that we will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company sustained a net loss of $1,935,179 for the nine months ended September 30, 2010. The Company projects that it will require an additional $900,000 in working capital in the next 12 months. Management has already loaned the Company $200,000 and is committed to loan the additional $350,000. Given a current ratio of 1:3, management assumes it can finance some additional growth with asset based financing. As well, the Company is discussing various strategic alternatives with investors. If sales increase as anticipated, the Company will seek additional capital from new investors. The Company has prepared a financing proposal to discuss opportunities with potential investors or possible strategic

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NOTE 4 - INVENTORY

Inventories, consisting of material, material overhead, labor, and manufacturing overhead, are stated at the lower of cost (first-in, first-out) and consist of the following as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Raw materials	$ 182,130	$ 27,900
Finished goods	715,881	173,459
	$ 898,011	$ 201,359

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods for taxes purposes, where appropriate. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

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Property and equipment consists of the following as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Machinery & Equipment	$ 112,369	$ 86,620
Leasehold improvements	6,882	6,882
Total property and equipment	119,251	93,502
Less: accumulated depreciation	(91,207)	(79,921)
Total property and equipment, net	$ 28,044	$ 13,581

Depreciation expense on property and equipment amounted to $11,922 and $10,935 for the nine months ended September 30, 2010 and September 30, 2009, respectively. For the three months ended September 30, 2010 and September 30, 2009, depreciation expense amounted to $3,286 and $3,645, respectively.

NOTE 6 – INSURANCE PREMIUM FINANCING

During 2009, the Company entered into an insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability, general liability and product liability. The annual interest rate was 6.26%. The remaining balance of the amount financed was $12,654 as of December 31, 2009, and payments of $12,654 were made during the nine months ended September 30, 2010. The interest expense for this note was $0 for the three and $100 for the nine months ended September 30, 2010.

On June 22, 2010, the Company entered into a new insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability to replace a portion of the policy described above. The annual interest rate is 5.51%, the amount financed is $12,925. Additionally, on September 15, 2010, the Company entered into separate insurance premium financing agreement with the same independent company to purchase insurance policies for both general and product liability. The annual interest rate is 5.51%, the amount financed is $10,423. Payments of $3,814 were made on both financing agreements during the nine months ended September 30, 2010. The interest

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NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY

The Company entered into an agreement (the "Agreement") on March 5, 2010, with Jarenz LLC ("Jarenz") pursuant to which Jarenz provides accounts receivable financing and collection services to the Company. Jarenz is a related party, as defined in ASC 850, whose owner is a daughter of the President of the Company.

The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a Cash Advance Amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz.

Jarenz's discount fee is a percentage, between 1% to 9.5%, of the Cash Advance Amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable.

The Company accounts for transactions under the Agreement as secured borrowings since the Company has not surrendered control of the transferred accounts receivable to Jarenz under the Agreement. The Company reports the proceeds received from Jarenz as a current liability. The discount fee and any subsequent interest payments are recorded as interest expense in the Statement of Operations. The accounts receivable balance at September 30, 2010 includes receivables amounting to $497,147 which have been assigned to Jarenz under the Agreement.

NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY (CONTINUED)

As of September 30, 2010, Jarenz received $12,910 from the assigned receivables which was not yet forwarded to the Company. Interest expense of $4,865 was recorded for the nine months ended September 30, 2010, and interest expense of $911 was recorded for the three months ended September 30, 2010.

NOTE 8 – RELATED PARTY NOTES PAYABLE

On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (5.25% for the nine months ended September 30, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion, at the option of the holder, into shares of the Company's common stock. The Revolver is convertible at various fixed conversion prices based on the Volume-Weighted Average Price ("VWAP") which is calculated by averaging the 10 trading days preceding the date of note, which approximated the fair value of the Company's stock at the date of conversion. IBEX, LLC is a related party limited liability company, whose President is a daughter of the President of the Company. The balance of the Revolver was $1,308,895 as at September 30, 2010.

In addition to the Revolver as described above, the Company has entered into the following convertible promissory note agreements with related parties:

NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY (CONTINUED)

As of September 30, 2010, Jarenz received $12,910 from the assigned receivables which was not yet forwarded to the Company. Interest expense of $4,865 was recorded for the nine months ended September 30, 2010, and interest expense of $911 was recorded for the three months ended September 30, 2010.

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In addition to the Revolver as described above, the Company has entered into the following convertible promissory note agreements with related parties:

Date Issued	Principal Amount	Due Date	Lender	Conversion Price
August 1, 2009	$ 519,920	August 31, 2011	IBEX, LLC	$ 0.019
February 9, 2010	135,000	February 2, 2012	IBEX, LLC	$ 0.010
March 31, 2010	310,000	March 31, 2012	IBEX, LLC	$ 0.010
April 15, 2010	20,000	April 30, 2012	IBEX, LLC	$ 0.010
May 5, 2010	120,000	May 31, 2012	IBEX, LLC	$ 0.010
May 14, 2010	100,000	May 31, 2012	IBEX, LLC	$ 0.010
June 22, 2010	130,000	June 30, 2012	IBEX, LLC	$ 0.010
June 30, 2010	95,795	June 30, 2012	St. Johns, LLC	$ 0.010
July 15, 2010	10,000	July 31, 2012	IBEX, LLC	$ 0.010
July 23, 2010	100,000	July 31, 2012	IBEX, LLC	$ 0.008
August 9, 2010	100,000	August 31, 2012	Robert Whelan	$ 0.006
August 9, 2010	100,000	August 31, 2012	Janel & Ryan Zaluski	$ 0.006
August 31, 2010	61,109	August 31, 2012	St. Johns, LLC	$ 0.007
September 7, 2010	50,000	September 30, 2012	IBEX, LLC	$ 0.007
September 14, 2010	185,000	September 30, 2012	IBEX, LLC	$ 0.007
September 30, 2010	50,000	September 30, 2012	IBEX, LLC	$ 0.007
September 30, 2010	21,882	September 30, 2012	St. Johns, LLC	$ 0.007

NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

Each of the above promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price indicated in the table above. According to the Security Agreements dated August 1, 2009 and February 9, 2010, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals. Robert Whelan is the son and Janel Zaluski is a daughter of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company.

Total interest expense incurred on the related party notes payable for the nine months ended September 30, 2010 and 2009 was $112,202 and $30,692, respectively. For the three months ended September 30, 2010 and September 30, 2009, interest expense amounted to $46,916 and a credit

NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

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Total interest expense incurred on the related party notes payable for the nine months ended September 30, 2010 and 2009 was $112,202 and $30,692, respectively. For the three months ended September 30, 2010 and September 30, 2009, interest expense amounted to $46,916 and a credit benefit of $9,786, respectively.

NOTE 9 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Common Stock:				
Weighted average number of shares outstanding – basic	1,499,448,871	1,325,999,863	1,481,415,538	820,484,844
Effect of dilutive securities:				
Options and Warrants	-	-	-	-
Weighted average number of shares outstanding – diluted	1,499,448,871	1,325,999,863	1,481,415,538	820,484,844
Options and Warrants not included above (anti-dilutive)				
Options to purchase common stock	-	-	350,000	350,000
Restricted Stock grants awarded to employees not yet issued	10,000,000	-	76,550,000	-
Warrants to purchase common stock	-	-	332,000	4,844,444
	10,000,000	-	77,232,000	5,194,444

NOTE 10 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

As of September 30, 2010, the Company had 17,565,000 shares available for future grant under the Plan.

Restricted Stock

The following table is a summary of activity related to restricted stock grants to directors, consultants and key employees for the nine months ended September 30, 2010:

Restricted shares granted	**76,550,000**

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As of September 30, 2010, the Company had 17,565,000 shares available for future grant under the Plan.

Restricted Stock

The following table is a summary of activity related to restricted stock grants to directors, consultants and key employees for the nine months ended September 30, 2010:

Restricted shares granted	**76,550,000**
Weighted average grant date fair value per share	**$ 0.01381**
Aggregate grant date fair value	**$ 1,057,156**
Restricted shares forfeited	**-**
Vesting service period of shares granted	**3 years**
Grant date fair value of shares vested	**$ -**

Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant and then applied a liquidity discount of 50 percent. This discount rate is determined by analyzing the Company's liquidity history and using peer company data to estimate. Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

As of September 30, 2009, there were 4,350,000 shares of restricted stock granted under the Plan.

The Company adopted the provisions of SFAS No. 123R in the beginning of 2006. SFAS No. 123R requires that compensation cost relating to share-based payment transactions be recognized as an expense over the service period or vesting term. Accordingly, compensation costs recognized for the restricted stock for the nine months ended September 30, 2010 and 2009 totaled $206,695 and $0, respectively. For the three months ended September 30, 2010 and 2009, compensation expense was $83,227 and $0, respectively.

NOTE 10 – SHARE BASED COMPENSATION (CONTINUED)

Stock Options

Option awards are granted with an exercise price equal to Company's bid price on the Over-the-Counter Pink Sheets on the date of grant, which is fair value. The options vest over three years of continuous service and are exercisable over ten years from the date of grant.

There were no grants, exercises or expirations of options during the nine months ended September 30, 2010.

Summary information about the Company's stock options outstanding as of September 30, 2010:

Exercise Price	Options Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Options Exercisable
$ 0.300	350,000	0.25	$ 0.300	350,000

NOTE 10 – SHARE BASED COMPENSATION (CONTINUED)

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$ 0.300	350,000	0.25	$ 0.300	350,000

NOTE 11 - WARRANTS

There were no grants or exercises of warrants during the nine months ended September 30, 2010. All warrants have expired as of September 30, 2010.

NOTE 12 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, accounts payable and notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and/or approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows.

NOTE 13 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended September 30, 2010 because of a significant net operating loss carry-forward of approximately $5.9 million. A full valuation allowance has been recorded against the deferred tax asset resulting from the benefits associated with the net operating loss carry-forward.

NOTE 14 – COMMITMENTS AND CONTINGENCIES LITIGATION

General
In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with jurisdictional laws and in making capital and operating improvements necessary to comply with existing and anticipated regulatory requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

William Lyons v. BioElectronics Corporation
In 2005, a lawsuit was filed against the Company by William Lyons for alleged breach of contract and conversion claims associated with fees for services provided to the Company. Mr. Lyons alleged that Andrew Whelan, the President of the Company, the Company, and PAW II, a Maryland limited liability company, (collectively, "the Defendants") reached an agreement to convey stock to Mr. Lyons. As discussed in Note 16 – Subsequent Events, and as a result of a subsequent settlement, the Company recorded a loss of $235,000 in accordance with ASC Topic 450

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NOTE 15 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7 and Note 8, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the Company to provide training and customer support at its own cost to support the distributor's sales function.

NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

Sales to eMarkets recognized for the three months ended September 30, 2010 and 2009 amounted to $370 and $1,590, respectively. For the three months ended September 30, 2010 and 2009, the cost of goods sold to eMarkets amounted to $172 and $459, respectively. Sales include $0 from bill and hold revenue transactions for the both the three months ended September 30, 2010 and 2009, respectively.

Sales transactions to eMarkets recognized for the nine months ended September 30, 2010 include $2,257 in sales and $906 in cost of goods sold. For the nine months ended September 30, 2009, sales to eMarkets accounted for $114,817 in sales and $30,348 in cost of goods sold to eMarkets. Sales include $0 and $112,270 from bill and hold revenue transactions for the nine months ended September 30, 2010 and 2009, respectively. The balance due from eMarkets was $41,053 and $165,297 at September 30, 2010 and December 31, 2009, respectively. Such amounts were presented under "Trade receivables from related parties".

NOTE 16 – SUBSEQUENT EVENTS

The Company and Andrew Whelan, President & CEO, were defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claimed that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was removed from Maryland state court to arbitration provided for in the contract at issue. The plaintiff prevailed in arbitration, and a judgment was

NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

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On November 10, 2010 the Company increased its authorized shares of common stock to 1,750,000,000 in order to cover the potential issuance of common stock. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly resell the shares into the public market. It is possible that resale of these shares will significantly reduce the market price for our common stock. In addition, the issuance of shares upon conversion of the convertible notes or exercise of the options will have a dilutive impact on our stockholders. As a result, our net income per share could decrease in future periods, and the market price of our common stock could decline.

NOTE 16 – SUBSEQUENT EVENTS (CONTINUED)

The Company will restate and reissue previously issued statements as following:

1. Audited financial statements for the fiscal years ended December 31, 2006 through December 31, 2009 (prepared in accordance with Article 8 of Regulation S-X);

2. Unaudited (but reviewed by independent auditors) quarterly financial statements, for the sixteen quarters in 2006 through 2009 consistent with the requirements of Article 10 of Regulation S-X; and

3. Management's Discussion and Analysis disclosure for the fiscal years ended December 31, 2006 through December 31, 2009, as well as the sixteen fiscal quarters in 2006 through 2009, which will separately address the annual and quarterly periods, as well as narrative disclosure of operating results, trends, and liquidity for each interim and annual period.

The Company plans to file the above items in aggregate by December 23, 2010 in lieu of filing separate Forms 10-K for the fiscal years ended December 31, 2006 through December 31, 2009 and Forms 10-Q for each of the quarters in 2006 through 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q may contain certain forward-looking statements, including without limitation, statements concerning BioElectronics Corporation ("the Company") operations, economic performance and financial condition. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "may," "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. These forward-looking statements may include statements addressing our operations and our financial performance. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties. Factors we have identified that may materially affect our results are discussed in our Annual Report on Form 10-K, including the documents, for the year ended December 31, 2009, particularly under Item 1A, "Risk Factors". In addition, other important factors to consider in evaluating such forward-looking statements include changes in external market factors, changes in the Company's business or growth strategy or an inability to execute its strategy, including due to changes in its industry or the economy generally. In light of these risks and uncertainties, there can be no assurances that the results referred to in the forward-looking statements will, in fact, occur. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made in this report, in our Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business.

INTRODUCTION

BioElectronics Corporation (OTCPK) (the "Company") is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical, anti-inflammatory medical devices based upon proven therapy. Pulsed electromagnetic therapy has been used by physicians, sports trainers, and therapist around the world for eighty years. The Company has reduced the therapy to wafer thin devices that are applied directly to the body. The devices consist of an inexpensive microchip, battery and antenna that more effectively deliver the energy. Recent improved circuitry has created a product that heals for 10 days and can be sold at prices competitive to hot and cold packs. These products will be sold very competitively on Direct Response Television (DRTV), Direct-to-Consumer (DTC), and in the analgesic aisle in stores around the world. The Company's design cost goal is to make its chips ubiquitous or one in every bandage.

The DRTV and online marketing platforms enable customers to easily gain access to information regarding these new and exciting consumer products and the ability to purchase these items within the convenience of their own homes. The Company works with its distribution partners to provide product distribution, fulfillment and customer interaction, including the operation of customer call centers

An increased consumer awareness of the dangers of overuse of oral analgesics such as acetaminophen and non-steroidal anti-inflammatory drugs (NSAIDs) has significantly altered the competitive landscape for pain management therapeutics. Many common anti-inflammatory pain medications are required to carry warning labels due to potential dangerous side effects (and some have been withdrawn altogether). Therefore, there is significant market opportunity for a therapeutic agent with improved efficacy and no side-effects. The distinctive value proposition of the products is the delivery of drug-free therapy that reduces pain and inflammation *and* accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The market potential is estimated at $10 billion worldwide.

The Company's immediate objective is to sell and distribute its three main products: ActiPatch ® Back Pain Therapy, ActiPatch Knee Pain Therapy, and Allay™ Menstrual Cycle Pain Therapy, each of which has significant market potential. To accomplish these objectives, we incurred significant additional costs in period expenses to:

- File our audited financial statements and other reports with the SEC
- Obtain additional regulatory clearances in Latin America, the US and Canada
- Grow our international distribution network
- Establish global brand management
- Conduct consumer and market research in more areas
- Develop and broadcast infomercials
- Research and develop new products and make product improvements

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During the nine months ended September 30, 2010, our sales and marketing focus was on launching direct response television (DRTV) in Latin America, Canada, and preparing other international launches of DRTV campaigns. The development of our product marketing group and initiation of consumer research has increased sales and administration expense. Likewise, we have engaged B2C Agency for direct response and advertising support for the United Kingdom and European market expansion. We committed substantial resources to biophysics and regulatory consulting to obtain additional product market clearances in U.S., Latin America, and Canada. Additionally, we have also made several significant product improvements in the electronics, packaging, and affixing methods. Furthermore, as a result of our SEC filings, our accounting and legal costs have dramatically increased.

The Company is focused on the domestic plastic surgery market, based on our FDA market clearance that is limited for post eye surgery, and with prescription use only. In the prior fiscal year, we changed our marketing and sales focus to the Direct-To-Consumer (DTC) markets for menstrual pain and back pain, where we concentrate on Direct Response Television (DRTV) and retail presence. The DTC and DRTV markets are more attractive because:

1. Our products are sold directly, allowing us to control the marketing;

2. Back Pain and Menstrual Pain products are much larger than post plastic surgery market. Just to give an example, in the US alone:

    a. Back injuries are the leading cause of disability in the United States for people younger than 45 years of age and represent the most expensive health care problem for people between 20 years and 50 year old;

    b. Approximately 1.0% of the United States population is chronically disabled due to back pain and an additional 1% is temporarily disabled and;

    c. Each year, two percent of the United States work force has compensable back injuries each year.

    d. Patients suffering from back pain consume more that $90 billion annually in health-care expenses, with approximately $26 billion of that amount directly attributable to treating back pain.

    e. A study by Duke University found the annual per capita expenditures for patients with back pain were 1.6 times higher than those without back pain.

3. The DTC markets are more accessible internationally where we already have regulatory approvals to sale our products without prescription. DRTV helps us access these markets very fast, with only small investments to start a campaign.

Management believes the significant change in company strategy is expected to improve product response, capture rate, pricing, market penetration, and other internal key performance measures. During this transit, we developed new products that are much more consumer oriented, supported with advanced market research and marketing strategy. Examples of our new and exciting products include:

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1. Allay Menstrual Pain Therapy (disposable version) – We have developed a monthly device with a much thinner and smaller profile results in better market pricing. We support the marketing of this device by a new tagline "So you can be there... and be yourself". This tagline and theme was developed after extensive one-on-one interview sessions, using advanced interview techniques. We also recently commenced a DRTV campaign with a new and exciting product in the UK that targets consumers to enroll in our "Loyalty Program." As a member of the Loyalty Program, consumers receive better pricing for both the products and shipping fees. Using this continuity model, we target highly loyal customers that remain on the therapy program.

2. Insole Product – We commenced manufacturing a new product that has our device inside a gel insole. This new product will be the only gel insole with an actual active therapeutic agent that treats inflammation and pain at the source for people that suffer from heel pain, where the main injury condition is called Plantar Fasciitis. Together with our clinical study for patients with Plantar Fasciitis, we will be able to make a successful marketing campaign for the new insoles. This product has a significant competitive advantage over any other product in the market. While we are able to produce and market it ourselves, for this specific product we are not eliminating the option to partner with large international players in the insole market.

3. ActiPatch New Product Line – As with Allay, our current ActiPatch device works for at least 720 hours. We are replacing it with a device that works for 5-7 days, and be sold for a lower price, to increase trial and repeat purchase. Our products area very cost-effective alternative therapy, especially with improvements to our targeted pricing and production processes.

Securing additional U.S. FDA market clearance is central to market entry and product acceptance. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. We have developed a new device and honed our arguments on the power of our existing device to meet the standards for a broader indication-of-use market clearance from the U.S. FDA, and thus, we have submitted a form 510(k) for the new and existing device to the U.S. FDA for broader market clearance. The new market clearance will enable us to market and sell to all surgeons and chronic would care providers, home health care agencies, and nursing homes.

We have received a Not Significantly Equivalent (NSE) letter from the U.S. FDA for both our Actipatch musculoskeletal pain and Allay Menstrual Pain Therapy market clearance applications. We have filed formal requests to have both products reclassified under Section 513 of the Food and Drug Act. The NSE letters are required to use the simpler reclassification provisions of the Section 513. During the last several months, we have performed substantial tests and developed additional documentation to support our reclassification requests. We have also developed an alternative over-the-counter device to submit in another product category to preclude the complications of a pulsed electromagnetic classification. We are confident that we will obtain U.S. over-the-counter clearance for our products.

As of September 30, 2010, we have established distribution agreements with distributors that offer our product for sale in over 40 countries internationally, mainly in Europe, Latin America, Middle East and South East Asia. The international market is expected to further expand going forward and to eventually constitute two-thirds of our total sales.

MAJOR GOALS, SIGNIFICANT ACTIVITIES AND RESULTS DURING FIRST NINE MONTHS OF 2010

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BioElectronics' operational plan is centered on marketing oriented functions. We believe our product set is very strong, our quality is very high, our ISO-certified production capabilities are extensive, and our Company is structured for accelerated growth. Over the past 24 months, the Company has significantly strengthened its product lines, improved product quality, created new packaging, and redesigned marketing materials and products.

We have several major goals to continue the advancement of business operations, including:

- Obtain additional U.S. FDA market clearances for:
  - the postoperative treatment of pain and edema in soft tissue
  - over-the-counter treatment of musculoskeletal pain
  - over-the-counter treatment of menstrual cycle pain and discomfort
  - the treatment of chronic pain
- Develop a management team, DRTV, advertising, and brand management expertise and infrastructure necessary to support large scale, multiple product offerings on a national and international level.
- Maintain primary management focus on our leading back pain, knee pain, and menstrual cycle pain blockbuster products.

- Obtain 3 rd party product reimbursement (insurance coverage) for kidney compromised, cardiovascular, diabetic and C-section patients.
- Continue product improvements and manufacturing cost reductions to maintain market dominance.
- Pursue additional clinical studies and research to support sales and marketing and new product introductions.
- Optimize the Company's presence on securities exchanges.

Additional U.S. Government FDA and International Regulatory Body Filings

Outside the U.S., our products are classified as Class II devices and are sold over-the-counter. In the US, our products are currently classified as a high risk, Class III device. We have U.S. FDA market clearance for the treatment of edema following blepharoplasty. We have filed two additional 510(k) market clearance applications for "relief of musculoskeletal pain" and "relief of menstrual cycle pain and discomfort" for over-the-counter sales. Even though the U.S. FDA is reluctant to give us over-the-counter clearance for a Class III device, we are currently pursuing both reclassification and approval of the pending applications. We are also preparing an additional U.S. FDA market clearance request for our new chronic pain device and a market clearance request for post-operative pain and edema. As we expand internationally, we are required to and do obtain additional market clearance in each country.

- Obtain 3 rd party product reimbursement (insurance coverage) for kidney compromised, cardiovascular, diabetic and C-section patients.
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Continue to Build Our Four Primary Markets

We augmented our marketing team with two experienced Brand Managers to help build our brands. As we grow, we plan to add additional brand management staff to manage new product categories such as foot care products, would care orthopedics, etc.

Due to BioElectronics having only limited U.S. FDA clearance of its products, mass distribution to direct consumers in the U.S. is prohibited. We believe U.S. FDA clearance for our products is forthcoming, and thus, we are currently in the process of identifying and building a domestic distribution network for both the over-the-counter and medical markets.

Continued Expansion of Our Already Growing International Distribution Network

BioElectronics has made steady, significant progress in building an international distribution network. Due to the Company obtaining over-the-counter sales approval for its products in Canada, Europe and many other markets, it has regular interest from international distribution companies to market and distribute the product lines. Our strategy is to partner with distributors that have the experience and financial ability to place our products into the consumer goods retail sales channels. We have seen success in executing this strategy relative to Canada, Western Europe, South-East Asia and the Middle East. Since retail distribution is a core strategy, the Company is regularly in negotiations with existing and future distributors, and anticipates signing additional contracts with qualified distributors in Asia, Europe, and other international locations.

The Company developed Direct Response Television (DRTV) materials produced by leading companies (Schulberg Media Works for English-speaking markets, and RC Productions for Hispanic markets) for both the ActiPatch Back Pain product and the Allay Menstrual Pain Therapy product. Subsequently, the commercials are extremely helpful with establishing partnerships with major DRTV companies to test our products in many countries. The Company contracted with TeleDEPOT in Latin America, where it completed a very successful test in several countries. In Turkey, the distributor has created a Turkish Allay infomercial and has begun DRTV testing and retail distribution. In Canada, the Company has assumed sales and marketing responsibilities to prepare for its U.S. launch and to introduce its new disposable products.

Critical Accounting Policies

General

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. (USGAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our most significant judgments and estimates used in preparation of our financial statements.

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Other Issues Relative to Plan of Operations

Cash Requirements - BioElectronics is currently in a positive current asset position with its current assets exceeding current liabilities. As is typical for most growth companies, BioElectronics may, in the future, need to raise additional funds to finance its working capital requirements. It is unknown at this time how much, if any, additional funds will be needed to execute our business plan, as it is highly dependent upon our sales growth trajectory over the coming quarters.

Research and Development – Our products are substantially developed and ready for sale, and many of our products are currently offered for sale on the international market. We are designing several new products based on our core technologies with developmental costs being financed by funds provided by related parties.

Expected Purchase or Sale of Plant and Significant Equipment - BioElectronics does not anticipate any major purchases or sales of plant or significant equipment.

Expected Changes in the Number of Employees - We are currently recruiting new talent and expect our hiring will focus on marketing personnel, support, and manufacturing staff. Our hiring plans are dependent upon revenue growth rates over the coming quarters.

RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, "Development Stage Enterprise", and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000, to September 30, 2010. Apart from the additional financial information provided regarding our financial results for the period from inception, April 10, 2000, to September 30, 2010, our designation as a Development Stage Company did not affect our accounting or other information provided in our financial statements.

Three and Nine Months Ended September 30, 2010 and 2009

Revenue. Revenue from operations for the three months ended September 30, 2010 and 2009 amounted to approximately $50,000 and $75,000, respectively, a decrease of $25,000 or 33% over the prior year. Revenues were approximately $663,000 and $591,000, for the nine months ended September 30, 2010 and 2009, respectively, resulting in an increase of $72,000 or 12% over the prior year. The following table summarizes the Company's domestic, international and veterinary (related party) revenues earned during the three and nine months ended September 30, 2010 and 2009:

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	Three Months Ended, September 30				Nine Months Ended, September 30			
	2010		2009		2010		2009	
	Amounts	Percentage	Amounts	Percentage	Amounts	Percentage	Amounts	Percentage
International	$ 16,464	33 %	$ 45,031	60 %	$ 568,372	86 %	$ 265,661	45 %
Domestic	33,636	66 %	28,253	38 %	93,088	14 %	210,852	36 %
Veterinary	370	1 %	1,590	2 %	2,257	0 %	114,817	19 %
	$ 50,470	**100 %**	**$ 74,874**	**100 %**	**$ 663,717**	**100 %**	**$ 591,330**	**100 %**

International sales decreased by approximately $29,000 or 64% in the three months ended September 30, 2010 due to decreased in customer orders. International sales increased $303,000 or 114% in the nine months ended September 30, 2010 from the comparative periods in 2009 as a result of new distributorship agreements signed in 2010 and increased sales through agreements signed in prior years. Domestic sales increased by approximately $5,000 or 19% in the three months ended September 30, 2010 from increased distributors. Domestic sales decreased by $118,000 or 56% in the nine months ended September 30, 2010 from the comparative periods in 2009 resulting from sales of special cervical devices totaling $100,000 in 2009.

Veterinary revenues of $370 and $1,590 were recorded in the three months ended September 30, 2010 and 2009, respectively, and $2,257 and $114,817 were recorded in the nine months ended September 30, 2010 and 2009, respectively. The reduction in veterinary revenues is primarily due to eMarkets requesting shipment of the bill and hold transactions from 2009 in lieu of purchasing additional units. eMarkets is our exclusive distributor of veterinary products to customers in certain countries outside of the United States.

At September 30, 2010, the Company has not yet delivered 40,258 units, totaling approximately $338,000 bill and hold sales recognized for the year ended December 31, 2009. The units will be shipped during 2010 to help meet the distribution 2010 purchase obligation.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the three months ended September 30, 2010 and 2009 amounted to approximately $57,000 and $13,000, respectively, and for the nine months ended September 30, 2010 and 2009 amounted to approximately $303,000 and $171,000, respectively. Gross margin decreased from approximately 71% of sales for the nine months ended September 30, 2009 to approximately 54% for the nine months ended September 30, 2010. The decrease was primarily the result of replacing 7,500 defective units totaling approximately $30,000 in cost of goods sold. Other factors include higher production costs, which arose from an increase in the use of contingent workers to expedite shipment of the new Allay packaging, and higher shipping costs related to international sales. We expect the normal gross margins on our products to be in the range of 66 % to 70 % of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. General and administrative expenses for the three months ended September 30, 2010 and 2009 amounted

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General and Administrative Expense . General and administrative expenses for the three months ended September 30, 2010 and 2009 amounted to approximately $894,000 and $106,000, respectively, an increase of $788,000 or 744%. For the nine months ended September 30, 2010, general and administrative expenses amounted to approximately $2,173,000 as compared to $553,000 in comparative period of 2009, an increase of $1,620,000 or 293% over the prior period. Substantially all of the changes are a result of timing differences, increased payroll and staff, and advisory fees. The following table summarizes the Company's general and administrative expenses for the three and nine months ended September 30, 2010 and 2009:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
General and Administrative Expenses:				
Depreciation and Amortization	$ 12,867	$ 3,645	$ 32,903	$ 10,935
Investor Relations Expenses	17,313	-	71,923	11,585
Legal and Accounting Expenses	94,636	-	464,226	49,208
Payroll Expenses	289,531	99,096	717,012	189,484
Sales Support Expenses	314,363	-	466,064	54,523
Other General and Administrative Expenses	165,409	3,512	420,386	237,707
Total General and Administrative Expenes	$ 894,119	$ 106,253	$ 2,172,514	$ 553,442

Depreciation and Amortization expense for the three months ended September 30, 2010 and 2009 was $12,867 and $3,645, respectively. For the nine months ended September 30, 2010 and 2009, the Depreciation and Amortization expense was $32,903 and $10,935, an increase due to increased purchases of additional property and equipment in 2010. Additionally, the increase in Amortization expense is derived from amortizing increased DRTV costs in 2010.

For the three months ended September 30, 2010 and 2009, Investor Relations expense was $17,313 and $0, respectively. Investor Relations expense for the nine months ended September 30, 2010 increased by $60,338 over the comparable period in 2009. The increase is due to the Company hiring an outside public relations consultant.

Legal and Accounting expense increased to approximately $95,000 for the three months ended September 30, 2010 from $0 in the comparable period in 2009. For the nine months ended September 30, 2010 and 2009, Legal and Accounting expense amounted to $464,000 and $49,000, respectively. This increase is attributed to additional expenses necessary to prepare annual, quarterly and other reports for filing with the SEC, while preparing our products for FDA and jurisdictional compliance.

Payroll expense, including payroll, compensation, and other payroll related expenses, increased to $290,00 for the three months ended September 30, 2010 from approximately $99,000 in the comparable period in 2009. For the nine months ended September 30, 2010 increased by approximately $528,000 compared to the previous period in 2009. This increase is primarily driven by an increase in sales and marketing personnel, as well as recording the compensation expense associated with granting restricted stock.

For the three months ended September 30, 2010, Sales expense increased by $314,363 compared to the previous period in 2009. Sales expense for the nine months ended September 30, 2010 amounted to $466,064 and for the nine months ended September 30, 2010, sales expense amount to

Legal and Accounting expense increased to approximately $95,000 for the three months ended September 30, 2010 from $0 in the comparable period in 2009. For the nine months ended September 30, 2010 and 2009, Legal and Accounting expense amounted to $464,000 and $49,000, respectively. This increase is attributed to additional expenses necessary to prepare annual, quarterly and other reports for filing with the SEC, while preparing our products for FDA and jurisdictional compliance.

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For the three months ended September 30, 2010, Sales expense increased by $314,363 compared to the previous period in 2009. Sales expense for the nine months ended September 30, 2010 amounted to $466,064 and for the nine months ended September 30, 2010, sales expense amount to $54,523. The increase is due to additional initiatives to improve the product branding, awareness and promotion thereof. The increase also includes the recognized contingency loss associated with Lyons' settlement as discussed in footnote 16 of the condensed financial statements attached hereto.

The increase in Other General and Administrative Expenses for the three and nine months ended September 30, 2010 was primarily driven by an increase in sales and marketing personnel. Additionally, for the nine month ended September 30, 2010, there was an increase in consulting expense of approximately $68,000 for consulting services related to product enhancements and preparing support for submissions to the FDA, and there was an increase in travel expense of approximately $61,000 related to several new trade shows and international distribution.

Interest Expense. Interest expense increased to approximately $48,000 for the three months ended September 30, 2010 from approximately $43,000 in the comparable period in 2009. For the nine months ended September 30, 2010 and 2009, Interest expense amounted to $117,000 and $84,000, respectively. The increase in Interest expense was mainly attributed to the new financing loans with IBEX, LLC and St. Johns, LLC. IBEX, LLC is a limited liability company, whose President is a daughter of the President of the Company. St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company.

Net Loss. Net losses during the three months ended September 30, 2010 and 2009 amount to approximately $948,000 and $87,000, respectively. Net losses increased from approximately $217,000 during the first nine months of 2009 to approximately $1,900,000 during the comparative period in 2010. Losses were increased primarily due to increase in general and administrative expense and interest expense.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds are primarily cash flows from financing activities. We raise funds for our operations by borrowing on notes, agreements with third parties and related parties, and selling equity in the capital markets. We are still operating as a development stage company, in which we are devoting substantially all of our present efforts to developing our business. For every year and period since our inception, we have generated negative cash flow from operations. At September 30, 2010, our cash and cash equivalents were approximately $56,000. Since December 31, 2009, our balance of cash and cash equivalents decreased by approximately $241,000 as a result of our loss from operations in the first nine months of 2010 of $1,935,179, offset by changes in our working capital balances and proceeds received from our financing activities, primarily proceeds from the issuance of related party notes payable and assignment of receivables under our factoring agreement with Jarenz LLC ("Jarenz"), a related party. Jarenz is a limited liability company, whose owner is a daughter of the President of the Company.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members, and their immediate family and associates. As of September 30, 2010, all of the Company's debt was provided by these related parties. We present the secured borrowing as short-term liabilities and the notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts.

At September 30, 2010, we had positive working capital of approximately $991,000 which is comparable to approximately $1,026,000 at December 31, 2009.

On January 1, 2005, we entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (i.e. 5.25% for the nine months ended September 30, 2010), and all accrued interest

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We refer to Note 8 of our interim financial statements included in this Report on Form 10-Q which contains information on borrowings received in the form of promissory notes from IBEX, LLC and St. Johns, LLC.

The Company entered into an Agreement (the "Agreement") on March 5, 2010, with Jarenz pursuant to which Jarenz is providing accounts receivable financing and collection services to the Company. The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a cash advance amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz. Jarenz's discount fee is a percentage of the cash advance amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable. As at September 30, 2010, 10% of the initial down payment of the assigned receivables was drawn totaling approximately $497,147. The Company will draw further cash advance amounts upon additional financing needs.

Net Cash Used In Operating Activities. Net cash used in operating activities amounted to approximately $1,681,000 and $894,000 in the nine months ended September 30, 2010 and September 30, 2009, respectively.

Net cash used in operating activities amounted to approximately $1,681,000 for the nine months ended September 30, 2010 primarily as a result of the net loss incurred, offset by changes in the Company's capital balances including a decrease in trade and other receivables, including from related parties, of approximately $17,000, increase in accounts payable of approximately $158,000, and increase in inventory of approximately $697,000.

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Net cash used in operating activities amounted to approximately $894,000 for the nine months ended September 30, 2009 primarily as a result of the net loss incurred, offset by changes in the Company's capital balances including an increase in trade and other receivables of approximately $113,000, decrease in accounts payable of approximately $330,000, increase in inventory of approximately $188,000, and decrease in customer deposits of approximately $119,000.

Net Cash Used in Investing Activities. During the nine months ended September 30, 2010, we purchased approximately $31,000 of laboratory equipment to develop new products and to improve quality assurance. We did not make any significant investments in fixed or other long-term assets during the nine months ended September 30, 2009.

Net Cash Provided by Financing Activities. Net cash provided by financing activities amounted to approximately $1,472,000 and $1,528,000 in nine months ended September 30, 2010 and September 30, 2009, respectively. The decrease of approximately $56,000 was primarily because of the decrease in proceeds obtained from related party notes payable.

During the nine months ended September 30, 2010, the Company generated approximately $1,472,000 in cash from financing activities through the issuance of notes payable to related parties (amounting to $1,410,000) and the assignment of receivables to related parties (amounting to $117,000). The proceeds received from these activities were used to repay notes payable and financing of receivable (amounting to $60,000) and to fund operations during the year.

During the nine months ended September 30, 2009, the Company generated $1,528,000 in cash from financing activities mainly through the issuance of related party notes payable (amounting to $1,731,000) and the sale of common shares (amounting to $790,000). The funds received were used to repay certain notes payable and related party notes payable (amounting to $994,000) and to fund operations.

Going concern. The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. We have incurred substantial losses from operations in the nine months ended September 30, 2010 and prior years, including a net loss of approximately $1,935,000 and $217,000 for the nine months ended September 30, 2010 and September 30, 2009 respectively. The Company also has an accumulated deficit as of September 30, 2010 of $12,364,669.

The Company projects that it will require an additional $900,000 in working capital in the next 12 months. Management has already loaned the Company $200,000 and is committed to loan the additional $350,000. Given a current ratio of 1:3, management assumes it can finance some additional growth with asset based financing. If sales increase as anticipated, the Company will seek additional capital from new investors. The Company has prepared a financing proposal to discuss opportunities with potential investors or possible strategic partners. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern.

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Off-Balance Sheet Arrangements. None

Recent Accounting Pronouncements. For the period ended September 30, 2010, there were no accounting standards or interpretations issued that are expected to have a material impact on our financial position, operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all of our transactions in U.S. dollars and therefore do not have any foreign currency exchange risk.

Item 4T. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our President, Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating these disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of disclosure controls and procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q are recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our President, Chief Executive Officer and Chief Financial Officer, and other management, as appropriate, to allow timely decisions regarding required disclosure.

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Based on the evaluation, our President, Chief Executive Officer and Chief Financial Officer after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, subject to the inherent limitations noted in this Part II, Item 9A, as of September 30, 2010, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2009, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including:

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently only have one independent director on our board, which is comprised of three directors, and on our audit committee, which is comprised of one director. Although we are considered a controlled company, whereby a group holds more than 50% of the voting power and as such are not required to have a majority of our board of directors be independent, it is our intention to have a majority of independent directors in due course.

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the nine months ended September 30, 2010, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, ("Berenfeld, Spritzer"), with our Audit Committee with respect to

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the nine months ended September 30, 2010, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, ("Berenfeld, Spritzer"), with our Audit Committee with respect to Berenfeld, Spritzer's audit procedures for fiscal 2009, Berenfeld, Spritzer informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board ("PCAOB").

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2010 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described in this Quarterly Report on Form 10-Q. Such remediation activities include the following:

- At an appropriate time, we will recruit one or more additional independent board members to join our board of directors. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.

- We will hire or engage additional qualified and experienced accounting personnel as necessary to review our quarter-end closing processes as well as provide additional oversight and supervision within the accounting department.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Controls over Financial Reporting

There were no significant changes in internal control over financial reporting during the third quarter of 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and Andrew Whelan, President & CEO, were defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.
The Company and Andrew Whelan, President & CEO, were defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claimed that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was removed from Maryland state court to arbitration provided for in the contract at issue. The plaintiff prevailed in arbitration, and a judgment was entered against BioElectronics Corporation, PAW, LLC and Andrew Whelan. The case was subsequently settled for a lump sum payment of $235,000.

Item 1A. Risk Factors. As a smaller reporting company, Registrant is not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
On March 18, 2010 and May 21, 2010, the Company issued and tendered 1,000,000 and 2,200,000 common shares to consultants in respect of services provided in the year ended December 31, 2009. The shares were recorded at $0.00225 per share (or $7,200 in aggregate), and the related expense was recorded in the prior year.

Item 3. Defaults Upon Senior Securities.
We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

Item 4. (Removed and Reserved). Not applicable.

Item 5. Other Information.

The Company will restate and reissue previously issued statements as following:

1. Audited financial statements for the fiscal years ended December 31, 2006 through December 31, 2009 (prepared in accordance with Article 8 of Regulation S-X);

2. Unaudited (but reviewed by independent auditors) quarterly financial statements, for the sixteen quarters in 2006 through 2009 consistent with the requirements of Article 10 of Regulation S-X; and

3. Management's Discussion and Analysis disclosure for the fiscal years ended December 31, 2006 through December 31, 2009, as well as the sixteen fiscal quarters in 2006 through 2009, which will separately address the annual and quarterly periods, as well as narrative disclosure of operating results, trends, and liquidity for each interim and annual period.

The Company plans to file the above items in aggregate by December 23, 2010 in lieu of filing separate Forms 10-K for the fiscal years ended December 31, 2006 through December 31, 2009 and Forms 10-Q for each of the quarters in 2006 through 2009.

Item 6. Exhibits.

Exhibit 31.1. Certification of Principal Executive Officer and Principal Financial Officer
Exhibit 32.1. Certification of Andrew Whelan, Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
Exhibit 99. Additional Exhibits

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in Frederick, Maryland, on November 15, 2010.

BIOELECTRONICS CORPORATION

November 15, 2010

By: /S/ ANDREW WHELAN

Andrew Whelan

President, Chief Executive Officer, Chief Financial Officer and Director

(Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on November 15, 2010.

Signature	Title
/S/ ANDREW WHELAN **Andrew Whelan**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Financial Officer)

EXHIBITS

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002

I, Andrew J. Whelan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BioElectronics Corporation for the period ending September 30, 2010;

2. Based on my knowledge, this quarterly report 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 with such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of BioElectronics as of, and for the periods presented in this quarterly report;

4. I am the sole officer and responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

    a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 15, 2010

s/ Andrew J. Whelan
Andrew J. Whelan
President, CEO and CFO
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following statement is provided by the undersigned to accompany the Form 10-Q for the nine months ended September 30, 2010 of BioElectronics Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and shall not be deemed filed pursuant to any provision of the Exchange Act of 1934 or any other securities law.

Each of the undersigned certifies that the foregoing Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of BioElectronics Corporation.

/s/ Andrew Whelan	/s/ Andrew Whelan
Andrew J. Whelan President and Chief Executive Officer BioElectronics Corporation	Andrew J. Whelan Chief Financial Officer BioElectronics Corporation

EXHIBIT 99
ADDITIONAL EXHIBITS

- Convertible Promissory Note – Common Stock dated July 15, 2010 – IBEX, LLC
- Convertible Promissory Note – Common Stock dated July 23, 2010 – IBEX, LLC
- Convertible Promissory Note – Common Stock dated August 9, 2010 – Robert Whelan
- Convertible Promissory Note – Common Stock dated August 9, 2010 – Janel and Ryan Zaluski
- Convertible Promissory Note – Common Stock dated August 31, 2010 – St. Johns, LLC
- Convertible Promissory Note – Common Stock dated September 7, 2010 – IBEX, LLC
- Convertible Promissory Note – Common Stock dated September 14, 2010 – IBEX, LLC
- Convertible Promissory Note – Common Stock dated September 30, 2010 – IBEX, LLC
- Convertible Promissory Note – Common Stock dated September 30, 2010 – St. Johns, LLC

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$10,000

Frederick, Maryland
July 15, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Ibex, LLC, a Virginia Limited Liability Corporation (the "Holder"), at its office at 201F Royal Street, Leesburg, VA 20175 or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of Ten Thousand ($10,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on July 31, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of One cents ($.01) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification, Consolidation, Merger, etc. In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

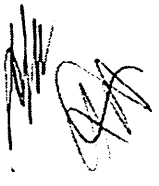
5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer



If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$100,000

Frederick, Maryland
July 23, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Ibex, LLC, a Virginia Limited Liability Corporation (the "Holder"), at its office at 201F Royal Street, Leesburg, VA 20175 or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of One Hundred Thousand ($100,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on July 31, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Eight One Hundredths of One cent ($.008) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc. In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

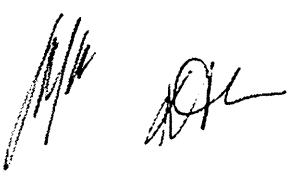
5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer



If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$100,000.00

Frederick, Maryland
August 9, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Robert Whelan (the "Holder"), at his residence at 219 J P Fletcher Lane, Cross Junction, Virginia or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of One Hundred Thousand ($100,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on August 31, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Six One Hundredths of One cent ($.006) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc, In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer

If to the Holder, to:

Robert Whelan
219 J P Fletcher Lane
Cross Junction, VA 22625

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

By: Robert Whelan

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$100,000.00

Frederick, Maryland
August 9, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Janel and Ryan Zaluski (the "Holder"), at their residence at 12 Stoney Parkway, Thurmont, Maryland or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of One Hundred Thousand ($100,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on August 31, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Six One Hundredths of One cent ($.006) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc, In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer

If to the Holder, to:

Janel and Ryan Zaluski
12 Stoney Parkway
Thurmont, MD 21788

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

By: Janel Zaluski

By: Ryan Zaluski

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$61,108.82

Frederick, Maryland
August 31, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of St. Johns, LLC, a Virginia limited liability corporation (the "Holder"), at its office at 20417 Plainfield Street, Ashburn, Virginia or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of Sixty One Thousand One Hundred Eight and 82/100 ($61,180.82) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on August 31, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Seven One Hundredths of One cent ($.007) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc, In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer

If to the Holder, to:

St. Johns LLC
20417 Plainfield Street
Ashburn, VA 20147
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

St. Johns, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$50,000

Frederick, Maryland
September 7, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Ibex, LLC, a Virginia Limited Liability Corporation (the "Holder"), at its office at 201F Royal Street, Leesburg, VA 20175 or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of Fifty Thousand ($50,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on September 30, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Seven One Hundredths of One cent ($.007) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc. In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

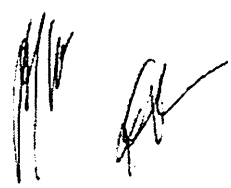
5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer



If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$185,000

Frederick, Maryland
September 14, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Ibex, LLC, a Virginia Limited Liability Corporation (the "Holder"), at its office at 201F Royal Street, Leesburg, VA 20175 or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of One Hundred Eighty Five Thousand ($185,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on September 30, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Seven One Hundredths of One cent ($.007) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation, Merger, etc. In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

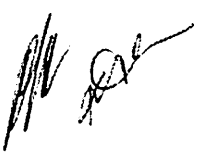
5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer



If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$50,000

Frederick, Maryland
September 30, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of Ibex, LLC, a Virginia Limited Liability Corporation (the "Holder"), at its office at 201F Royal Street, Leesburg, VA 20175 or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of Fifty Thousand ($50,000.00) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on September 30, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Seven One Hundredths of One cent ($.007) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification, Consolidation, Merger, etc. In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer

If to the Holder, to:

Ibex, LLC
201F Royal Street
Leesburg, VA 20175
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

Ibex, LLC

By: Kelly Lorenz
Manager
"Holder"

CONVERTIBLE PROMISSORY NOTE-COMMON STOCK

$21,882.21

Frederick, Maryland
September 30, 2010

FOR VALUE RECEIVED, subject to the terms and conditions hereinafter set forth, the undersigned, BIOELECTRONICS CORPORATION, a Maryland corporation (the "Company" or the "Borrower"), promises to pay to the order of St. Johns, LLC, a Virginia limited liability corporation (the "Holder"), at its office at 20417 Plainfield Street, Ashburn, Virginia or such other address as the Holder shall specify in writing to the Borrower, in immediately available funds, the principal amount of Twenty One Thousand Eight Hundred Eighty Two and 21/100 ($21,882.21) plus simple interest at the rate of Eight Percent (8%) per annum.

SECTION 1. PAYMENT OBLIGATION. If not sooner converted into "Common Stock" of the Company in accordance with Section 2 below, the principal amount and all accumulated interest of this Convertible Promissory Note shall be due and payable on September, 2012 (the "Maturity Date"). The outstanding principal balance hereunder shall begin to bear interest from date this Convertible Promissory Note is executed and shall continue until paid in full.

SECTION 2. CONVERSION.

2.1 At any time the Holder shall, at its option, be entitled to receive in lieu of payment of the indebtedness evidenced hereby, a number of shares of "Common Stock" (as defined below) equal to the quotient of (i) a sum equal to the entire outstanding principal and interest of this Convertible Promissory Note, divided by (ii) the "Conversion Price" of Seven One Hundredths of One cent ($.007) per share.

2.2 Issuance of Certificates. As promptly after the Conversion Date as reasonably practicable, the Company shall instruct its transfer agent to issue and deliver to the Holder at the address of the Holder set forth on the Company's records, without any charge to the Holder, a certificate or certificates (issued in the name of the Holder or, subject to the provisions of Section hereof, in such name as the Holder may designate) for the number of full shares of Common Stock of the Company issuable upon the conversion of this Convertible Promissory Note.

2.3 Status on Conversion. Upon conversion of this Convertible Promissory Note, the Holder shall be deemed to have become the stockholder of record of the shares of Common Stock into which this Convertible Promissory Note is converted on the Conversion Date.

2.4 Effect of Reclassification. Consolidation. Merger, etc, In case of the reclassification or change of outstanding shares of Common Stock, or in the case of any consolidation or merger of the Company with or into a corporation, or in the case of a sale or conveyance to another corporation of all or substantially all of the assets of the Company, this Convertible Promissory Note shall be convertible into the kind and number of shares of stock and/or other securities or property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which this Convertible Promissory Note might have been converted immediately before the time of determination of the stockholders of the Company entitled to- receive such shares of stock and/or other securities or

property. The Company shall be obligated to retain and set aside, or otherwise make fair provision for exercise of the right of the Holder to receive, the shares of stock and/or other securities or property provided for in this Section 2.4.

SECTION 3. SECURITY.

This Convertible Promissory Note is secured by a Security Agreement of even date herewith (the "Security Agreement") among the Borrower and the Holder. Reference hereby is made to the Security Agreement for a description of the collateral pledged pursuant thereto, and any holder of this Convertible Promissory Note is entitled to the benefit of the security interest provided therein.

SECTION 4. PREPAYMENT.

The principal amount of this Convertible Promissory Note may not be prepaid, in whole or in part, without the written consent of the Holder.

SECTION 5. DEFAULTS AND REMEDIES.

5.1 Events of Default. If the Borrower shall fail to pay any amount due under this Convertible Promissory Note within two days of the date when due, the Holder may, at its sole option, declare the entire amount of principal and accrued, unpaid interest on this Convertible Promissory Note immediately due and payable, by written notice to the Borrower, in which event the Borrower immediately shall pay to the Holder the entire unpaid principal balance of this Convertible Promissory Note together with accrued, unpaid interest thereon to the date of such payment.

5.2 Waivers. The Borrower waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest thereon, notice of interest on interest and delinquence in taking any action to collect any sums owing under this Convertible Promissory Note or in a proceeding against any of the rights or interests in or to properties securing payment of this Convertible Promissory Note.

SECTION 6. MISCELLANEOUS.

6.1 Notices. Any and all notices, requests, demands, designations, consents, offers, acceptances or any other communications to be given by any party to any other party under the terms and conditions of this Convertible Promissory Note shall be in writing and personally delivered, or sent by first class mail, registered or certified, postage pre-paid, or sent by reputable overnight courier service, facsimile, telecopy or telex, addressed as follows, or to such other address as may be designated in writing by the party to which notice is to be sent:

If to the Borrower, to:

BioElectronics Corporation
4539 Metropolitan Court
Frederick, Maryland 21704
Attention: Chief Financial Officer

If to the Holder, to:

St. Johns LLC
20417 Plainfield Street
Ashburn, VA 20147
Attention: Kelly Lorenz

6.2 Successors. All the covenants, agreements, representations and warranties contained in this Convertible Promissory Note shall bind the parties hereto and their respective heirs, executors, administrators, distributees, successors and assigns.

6.3 Governing Law. This Convertible Promissory Note is delivered in the State of Maryland and shall be construed and enforced in accordance with, and governed by, the laws of the State of Maryland without application of the conflict of laws provisions or principles thereof. All persons and entities in any manner obligated under this Convertible Promissory Note hereby consent to the jurisdiction of any federal or state court within the State of Maryland having proper venue, and also consent to service of process by any means authorized by federal or Maryland law.

6.4 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Convertible Promissory Note or the rights and duties of the parties in relation hereto, the prevailing party will be entitled, in addition to any other relief granted, to all costs and expenses incurred by such prevailing party, including, without limitation, all reasonable attorneys' fees.

6.5 Time of the Essence. Time is of the essence with respect to every provision hereof.

IN WITNESS WHEREOF, the parties have executed this Revolving Convertible Promissory Note as of the date first above written.

BioElectronics Corporation

By: Andrew Whelan
President
"Borrower"

ACCEPTED AND AGREED AS OF
THE DATE FIRST ABOVE WRITTEN:

St. Johns LLC

By: Kelly Lorenz
Manager
"Holder"

ISSUER INFORMATION
AND
QUARTERLY UPDATE DISCLOSURE STATEMENT

BIOELECTRONICS CORPORATION
4539 Metropolitan Court
Frederick, MD 21704
Phone: 301-874-4890
Fax: 301-874-6935

The Company has a corporate internet website at **http://www.bielcorp.com**. The reference to this website address does not constitute incorporation by reference of the information contained therein.

Federal ID	**CUSIP**
52-2278149	09062H108

ISSUER'S EQUITY SECURITIES
Common Stock
$.001 Par Value
2,500,000,000 Common Shares Authorized
2,436,309,291 Shares Issued and Outstanding

BioElectronics Corporation is responsible for the content of this Information and Disclosure Statement. **The information contained in this report has not been filed with or approved by the Securities and Exchange Commission, any state securities commission, the National Association of Securities Dealers, or any other regulatory body.** This document contains forward-looking statements. Forward-looking statements do not represent historical facts, but rather statements about management's beliefs, plans and objectives about the future, as well as assumptions and judgments concerning such beliefs, plans, and objectives. The statements are evidenced by terms such as "anticipate," "estimate," 'should," "expect," "believe," "intend," and similar expressions. Although these statements reflect management's good faith beliefs and projections, they are not guarantees of future performance and they may not prove true. These projections involve risk and uncertainties that could cause the Company's actual results to differ materially from those addressed in the forward-looking statements. These risks and uncertainties include, but are not limited to, changes in general economic, market, or business conditions; changes in laws or regulations or policies of federal and state regulators and agencies; and other circumstances beyond the Company's control. Consequently all of the forward-looking statements made in this document are qualified by these cautionary statements, and there can be no assurance that the actual results anticipated will be realized, or if substantially realized, will have the expected consequences on the Company's business or operations.

BIOELECTRONICS CORPORATION
INFORMATION AND QUARTERLY UPDATE DISCLOSURE STATEMENT

ITEM 1: **NAME OF ISSUER:** BioElectronics Corporation

ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES:
4539 Metropolitan Court
Frederick, MD 21704
(301) 874-4890 Office
(301) 874-6935 Fax
www.bielcorp.com

ITEM 2: **NUMBER OF SHARES OR TOTAL AMOUNT OF SECURITIES OUSTANDING FOREACH CLASS OF SECURITIES AUTHORIZED.**

As of June 30, 2012 the Issuer had 2,436,309,291 shares issued and outstanding. As of December 31, 2011, the Issuer had 1,963,281,871 shares of Common Stock issued and outstanding.

Period End Date	# of Shares Authorized	# of Shares Outstanding	Freely-Tradeable Shares	# of Beneficial Shareholders	# of Shareholders
30-Jun-12	2,500,000,000	2,436,309,201	2,299,272,335	3	187
31-Dec-11	2,500,000,000	1,963,281,871	1,882,095,249	3	180
31-Dec-10	1,750,000,000	1,546,684,871	1,351,875,364	3	154
31-Dec-09	1,500,000,000	1,470,998,871	1,289,575,281	3	103

ITEM 3: INTERIM FINANCIAL STATEMENTS: The un-audited interim financial statements of the issuer as of June 30, 2012 are attached to the end of this Quarterly Update, and the financial statements included therein, and where they are located, are as follow:

ITEM 4: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Most of our operational plan is centered on marketing oriented functions, instead of design and production oriented functions. We believe our product set is very strong, our quality is very high and our ISO-certified production capabilities are extensive.

Our recently developed improved circuitry devices are available as follows:

1. Back Pain Therapy
2. Neck Pain Therapy;
3. Knee Pain Therapy;
4. Wrist and Elbow Pain Therapy;
5. Smart-In Sole™ for Heel Pain; and,
6. Allay™ Menstrual Cycle Pain Therapy.

The musculoskeletal devices retail for $19.95 and include the affixing attachments. The Allay, monthly menstrual cycle device retails for $9.95 and includes two protective sleeves.

These topical analgesic products are clinically proven more efficacious, safer, and cost effective than the leading hot and cold pads and pain medications. The new products are all cleared worldwide for over-the-counter sales and marketing and, the Company is awaiting OTC reclassification of its products to include the US in its retail product operations.

Current Objectives

- Dominate the topical pain therapy market with the following brand developoment:
  - ActiPatch, musculoskeletal pain relief that is 5x better than over-the-counter drugs, 100 % safer and price competitive delivering 90+ 8-hour treatments for under $20.00, and
  - Allay, drug-free menstrual pain therapy that 73% of women reported complete or substantial pain relief.
  - RecoveryRx for post-operative pain and chronic wound therapy that delivers a staggering cost benefit that mandates it becomes the standard of care in wound management.

- In spite of FDA's continuing resistance to pulsed electromagnetic therapy, the Company intends to continue to aggressively pursue obtaining additional US FDA market clearances for its products for:
  - The postoperative treatment of pain and edema in soft tissue
  - Over-the-counter treatment of musculoskeletal pain
  - Over-the-counter treatment of menstrual cycle pain and discomfort

  The Company has and will continue to have published its clinical trials in refereed medical journals, to appeal and refute the examiners' denials to senior FDA management, its Science Integrity Group, the FDA Commissioner, and our congressional representatives.

- Complete the existing Tufts University dental clinical study, the plantar fasciitis healing study at the University of British Columbia, the venous ulcer pain study at the Denver Medical Center and the venous stasis ulcer wound healing study at the Aarhus University Hospital, Denmark. Furthermore complete the organizing of the following studies: Hernia Surgical Recovery Study - University Hospital Ghent, Menstrual Pain

Study - University of London, Diabetic Peripheral Neuropathy Pain - St Johns Medical College (Bangalore, India) and Chronic wound Pain study - Roeselare Wound Center, Belgium.

- Similar to the recent peer reviewed publications:
  1) Brook J, Dauphinee DM, Korpinen J, Rawe IM: **Pulsed radiofrequency electromagnetic field therapy: a potential novel treatment of plantar fasciitis**. *J Foot Ankle Surg* 2012, **51**(3):312-316.
  2) Rawe IM, Lowenstein A, Barcelo CR, Genecov DG: **Control of postoperative pain with a wearable continuously operating pulsed radiofrequency energy device: a preliminary study**. *Aesthetic Plast Surg* 2012, **36**(2):458-463.
  3) Rawe IM, Vlahovic TC: **The use of a portable, wearable form of pulsed radio frequency electromagnetic energy device for the healing of recalcitrant ulcers: a case report**. *Int Wound J* 2012, **9**(3):253-258.
  4) Teven CM, Greives M, Natale RB, Su Y, Luo Q, He BC, Shenaq D, He TC, Reid RR: **Differentiation of osteoprogenitor cells is induced by high-frequency pulsed electromagnetic fields**. *J Craniofac Surg* 2012, **23**(2):586-593.

We will have our new clinical studies published in peer reviewed medical journals.

- Arrange off balance sheet financing or recruit established well financed distributors to properly advertise and promote the Company's products in each market.

SALES AND MARKETING METHODS

The Company will substantially invest in advertising and promotion to drive the growth of its key brands. The marketing strategy is focused primarily on consumer-oriented programs that include media advertising, targeted coupon programs and in-store advertising.

ActiPatch and Allay Retail Sales and Distribution

During 2011 BioElectronics launched international campaigns that include substantial retail presence and extensive media support, to stage the domestic launch and introduce larger revenue sources into the company. These efforts are ongoing in 2012.

RETAIL OTC (OVER-THE-COUNTER) U.S. MARKET

The Company has filed two U.S. FDA 510(k) market clearance applications for the OTC ActiPatch and the Allay Menstrual Cycle Pain Therapy devices and received "Not Substantially Equivalent" letters for both products. The U.S. FDA's position is that the current pulsed electromagnetic product category is restricted to post operative devices only. The Company has now filed and is arguing its Section 513 petitions for reclassification of the devices. In addition to two specific published refereed journal medical publications addressing the specific requested US FDA medical clearance claims, the Company's recent Consumer Survey has shown that the ActiPatch has 5x better pain relief than OTC drugs, is price competitive, and 100% safer.

Each of the Company's retail product kits are unique to the market as drug free, anti-inflammatory therapeutic agents that rapidly and safely reduce pain, swelling and required healing time. Each retail kit is designed with an extremity wrap. The devices are wafer thin, easily concealed,

comfortable and easy to use. There are no "messy" odorous topical ointments or creams, and because they do not use heat or ice, they are safe to use for diabetics and the bedridden.

We are relaunching our Canada sales and marketing cautiously. We were unable to obtain proper shelf space in Canada's leading retailers, particularly Wal-Mart and we were unwilling to risk alienating Wal-Mart internationally with a poorly executed plan.

We are focused on launching the UK and German markets. SVS Securities, Plc. is registering ActiPatch, Plc. a United Kingdom entity and territorial rights holder for the ActiPatch and Allay product lines for the UK and German markets on the London PLUS-market to finance the advertising and promotion of the products. The UK and German markets are collectively five times larger than the Canadian market and we have the financing arrangement in place to proceed immediately.

Our Spanish and Mexican distributors have completed independent market research studies to justify their investments and moving forward with the establishment our brands in their markets. These two distributors and our new Saudi Arabia distributor are established and well financed medical companies and combined with ActiPatch, Plc. provide a solid base for future sales. Additionally we anticipate additional sales for our existing smaller territory distributors and the activation of pending registrations in China, Colombia, Taiwan, and others.

DOMESTIC SALES AND DISTRIBUTION

Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. Consequently, domestic sales are restricted primarily to medical providers until additional clearances are received from the U.S. FDA. Past sales efforts have centered on podiatry, orthopedics and plastic surgery. Sales increases to these target markets have been very slow, however, the product has a number of very strong medical supporters. Once we obtain an additional FDA clearance, we expect to be much more successful in obtaining sales in the following identifiable markets for RecoveryRx:

- Plastic Surgeons
- Oral Surgeons
- Orthopedic Surgeons
- General Surgeons for complex C-Sections and Hernias
- Wound care centers, nursing homes, hospitals, and home health care specialists for chronic wound
- Podiatrists
- Chiropractors
- Pain clinics

The sales and marketing to these physicians will be direct response mail, telemarketing, trade shows and advertising in trade journals. Internationally, we will use specialized medical supply distributors.

The pending US FDA market clearance will enable us to market the RecoveryRx, the device, and the affixing back belt, extremity tubular sleeves and adhesive pads to all surgeons, hospitals, wound care clinics, pain clinics, and orthopedic physicians. The completed oral surgery and the C-section studies will enhance sales to all surgeons, with particular emphasis on the 6,000+ oral surgeons and to the obstetrics physicians performing the 1.4 million annual C-section procedures.

MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, "Development Stage Enterprise", and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000, to June 30, 2012. Apart from the additional financial information provided regarding our financial results for the period from inception, April 10, 2000, to June 30, 2012, our designation as a Development Stage Company did not affect our accounting or other information provided in our financial statements.

Comparison of the three and six months ended June 30, 2012 and 2011:

Revenue. Revenue from operations for the three months ended June 30, 2012 and 2011 amounted to approximately $171,000 and $319,000, respectively, a decrease of $148,000 or 46% from the prior year. Revenues were approximately $295,000 and $695,000, for the six months ended June 30, 2012 and 2012, respectively, resulting in a decrease of $400,000 or 58% over the prior year.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the three months ended June 30, 2012 and 2011 amounted to approximately $111,000 and $186,000, respectively, and for the six months ended June 30, 2012 and 2011 amounted to approximately $182,000 and $334,000, respectively. Gross margin decreased from approximately 52% of sales for the six months ended June 30, 2011 to approximately 38% for the six months ended June 30, 2012. The decrease in margins was a function of discounting on sales prices for bulk orders and higher production costs. We expect the normal gross margins on our products to be in the range of 66 % to 70 % of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. General and administrative expenses for the three months ended June 30, 2012 and 2011 amounted to approximately $626,000 and $795,000, respectively, a decrease of $169,000 or 21%. For the six months ended June 30, 2012, general and administrative expenses amounted to approximately $1,122,000, as compared to $1,596,000 in comparative period of 2010, a decrease of $474,000 or 30% over the prior period. The decreases related mainly to decreases in sales and administrative staff salaries, marketing initiatives, and investor relations expenses for capital raising initiatives offset by increases in legal and accounting expenses and depreciation and amortization.

Interest Expense. Interest expense increased to approximately $110,000 for the three months ended June 30, 2012 from approximately $100,000 in the comparable period in 2011. For the six months ended June 30, 2012 and 2011, interest expense amounted to $222,000 and $186,000, respectively. The increase in interest expense was mainly attributed to the new financing loans with IBEX, LLC and St. Johns, LLC. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company.

Net Loss. Net losses during the three months ended June 30, 2012 and 2011 amount to approximately $676,000 and $762,000, respectively. Net losses decreased from approximately $1,422,000 during the first six months of 2011 to approximately $1,238,000 during the comparative

period in 2012. Losses were decreased primarily due the increase in profit margins on sales and to the decrease in general and administrative expense.

Going concern. The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. We have incurred substantial losses from operations in the six months ended June 30, 2012 and prior years, including a net loss of approximately $1,238,000 and $1,422,000 for the six months ended June 30, 2012 and June 30, 2011, respectively. The Company also has an accumulated deficit as of June 30, 2012 of $18,780,531.

The Company projects that it will require an additional three million dollars in working capital in the next 12 months. If sales increase as anticipated, the Company will seek additional capital from new investors. The Company has prepared a financing proposal to discuss opportunities with potential investors or possible strategic partners. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern.

Off Balance Sheet Arrangements

None.

ITEM 5: LEGAL PROCEEDINGS:

Issuer has not become involved in any legal proceedings in addition to those already disclosed in a prior disclosure statement.

ITEM 6: DEFAULTS UPON SENIOR SECURITIES:

Issuer has not experienced any material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days, with respect to any indebtedness of the issuer exceeding 5% of the total assets of the issuer. Nor has issuer experienced any material arrearage in the payment of dividends, or any other material delinquency not cured within 30 days, with respect to any class of preferred stock of the issuer.

ITEM 7: OTHER INFORMATION: Per the instructions, none applicable.

ITEM 8: EXHIBITS: Per the instruction, no exhibits are required here which have not already been described or attached in any prior disclosure statement.

ITEM 9: CERTIFICATIONS:

I, Andrew J. Whelan, certify that:

1. I have reviewed this quarterly disclosure statement dated June 30,2012 of BioElectronics Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the 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.

IN WITNESS THEREOF, the undersigned has executed this Certification as of this 14th of August, 2012.

Certified By: /s/ Andrew J. Whelan,
Andrew J. Whelan
President, CEO and CFO

BioElectronics Corporation
(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2012

Unaudited condensed financial statements for BioElectronics Corporation for the three-month and six-month periods ended June 30, 2012 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent auditors and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

Trading Symbol: BIEL
CUSIP Number: 09062H108

Table of Contents

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	June 30, 2012 (Unaudited)	(Restated) December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 4,562	$ 55,492
Trade and other receivables, net	192,825	185,823
Inventory	825,805	775,184
Prepaid expenses and other	8,269	50,000
Total current assets	1,031,461	1,066,499
Property and equipment	170,011	170,011
Less: Accumulated depreciation	(121,486)	(112,058)
Property and equipment, net	48,525	57,953
Total assets	$ 1,079,986	$ 1,124,452
Liabilities and stockholders' deficiency		
Current liabilities:		
Bank overdraft	$ 15,937	$ -
Accounts payable and accrued expenses	280,451	314,990
Related party notes payable	2,036,655	2,120,427
Deferred revenue	18,475	-
Notes payable	102,501	100,537
Total current liabilities	2,454,019	2,535,954
Long-term liabilities:		
Shareholder loans	202,000	-
Related party notes payable, net of discounts	3,707,337	3,565,811
Total liabilities	6,363,356	6,101,765
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 2,436,309,201 shares authorized at June 30, 2012 and 1,950,681,871 at December 31, 2011.	2,436,309	1,950,682
Additional paid-in capital	11,060,852	10,614,063
Deficit accumulated during the development stage	(18,780,531)	(17,542,058)
Total stockholders' deficiency	(5,283,370)	(4,977,313)
Total liabilities and stockholders' deficiency	$ 1,079,986	$ 1,124,452

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For Three and Six Months Ended June 30, 2012 and 2011
and for the Period from April 10, 2000 (Inception) to June 30, 2012
(Unaudited)

	For the Three Months Ended		For the Six Months Ended		
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	Period from April 10, 2000 (Inception) to June 30, 2012
Sales	$ 170,675	$ 319,093	294,834	$ 694,529	$ 5,377,986
Cost of Goods Sold	110,727	185,942	182,463	334,256	2,521,758
Gross profit	59,948	133,151	112,371	360,273	2,856,228
General and Administrative Expenses:					
Bad Debt Expense	81	-	-	-	319,691
Depreciation and Amortization	4,714	4,714	9,428	9,428	139,413
Investor Relations Expenses	22,873	49,480	32,359	143,893	2,062,393
Legal and Accounting Expenses	105,460	88,965	149,806	226,701	1,910,442
Sales Support Expenses	229,783	144,749	493,646	262,265	3,285,490
Other General and Administrative Expenses	263,511	506,936	437,132	954,247	10,928,575
Total General and Administrative Expenses	626,422	794,844	1,122,371	1,596,534	18,646,004
Loss from Operations	(566,474)	(661,693)	(1,010,000)	(1,236,261)	(15,789,776)
Interest Expense and Other, Net:				-	
Other Income (Expense)	(5)	-	(6,255)	-	116,275
Interest Expense	(109,794)	(100,015)	(222,218)	(185,695)	(3,065,487)
Loss on Disposal of Assets	-	-			(41,543)
Total Interest Expense and Other, Net	(109,799)	(100,015)	(228,473)	(1,421,956)	(2,990,755)
Loss Before Income Taxes	(676,273)	(761,708)	(1,238,473)	(2,658,217)	(18,780,531)
Provision for Income Tax Expense	-	-	-	-	-
Net loss	$ (676,273)	$ (761,708)	$ (1,238,473)	$ (2,658,217)	$ (18,780,531)
Net loss Per Share - Basic and Diluted	($0.0003)	($0.0005)	($0.0005)	($0.0016)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	2,436,309,291	1,651,848,871	2,436,309,291	1,651,848,871	N/A

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency
For the Period from April 10, 2000 (Inception) to June 30, 2011

	Capital Stock		(Restated) Additional Paid-in Capital	(Restated) Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at April 10, 2000 (Inception)	-	$ -	$ -	$ -	$ -
Net Loss	-	-	-	(34,124)	(34,124)
Contribution of assets	-	-	8,000	-	8,000
Issuance of common stock for services rendered	22,150,000	22,150	(8,000)	(13,150)	1,000
Balance at December 31, 2000	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2001	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2002	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	(568,087)	(568,087)
Sale of common stock at $.03 per share	3,950,000	3,950	112,100	-	116,050
Sale of common stock at $.0496 per share	800,000	800	38,900	-	39,700
Sale of common stock at $.35 per share	40,000	40	13,960	-	14,000
Balance at December 31, 2003	26,940,000	26,940	164,960	(615,361)	(423,461)
Net loss		-	-	(792,799)	(792,799)
Common stock dividend	15,800,577	15,800	-	(15,800)	-
Issuance of common stock for services rendered	2,245,649	2,246	110,036	-	112,282
Sale of common stock at $.3540 per share	678,000	678	239,322	-	240,000
Sale of common stock at $.4286 per share	149,333	149	63,851	-	64,000
Sale of common stock at $.30 per share	83,333	83	24,917		25,000
Sale of common stock at $.01 per share	5,020,000	5,020	45,180	-	50,200
Balance at December 31, 2004	50,916,892	50,916	648,266	(1,423,960)	(724,778)
Net loss		-	-	(2,233,678)	(2,233,678)
Fair value of warrants issued in connection with financing arrangements			542,460		542,460
Issuance of convertible debt with beneficial conversion interest	-	-	422,324	-	422,324
Issuance of common stock for services rendered	2,128,000	2,128	205,043	-	207,171
Sale of common stock at $.30 per share	3,420,000	3,420	1,022,580	-	1,026,000
Sale of common stock at $.0833 per share	4,600,000	4,600	378,785	-	383,385
Sale of common stock at $.0959 per share	800,000	800	75,912	-	76,712
Sale of common stock at $.1475 per share	1,000,000	1,000	146,500	-	147,500
Balance at December 31, 2005 (As Restated)	62,864,892	62,864	3,441,870	(3,657,638)	(152,904)
Net loss				(3,185,522)	(3,185,522)
Issuance of convertible debt with beneficial conversion interest			88,214		88,214
Issuance of common stock for services rendered	7,099,856	7,100	433,481	-	440,581
Fair value of warrants issued in connection with financing arrangements	-	-	182,913	-	182,913
Sale of common stock at $.1667 per share	240,000	240	39,760	-	40,000
Sale of common stock at $.10 per share	400,000	400	39,600	-	40,000
Issuance of common stock for conversion of debt	5,000,000	5,000	495,000		500,000
Stock based compensation expense	-	-	72,703	-	72,703
Balance at December 31, 2006 (As Restated)	75,604,748	75,604	4,793,541	(6,843,160)	(1,974,015)
Net loss				(2,105,180)	(2,105,180)
Issuance of convertible debt with beneficial conversion interest			155,665		155,665
Issuance of common stock for services rendered	1,555,000	1,555	51,145	-	52,700
Sale of common stock at $.035 per share	6,000,000	6,000	204,000	-	210,000
Sale of common stock at $.04 per share	750,000	750	29,250	-	30,000
Sale of common stock at $.0444 per share	1,125,000	1,125	48,875	-	50,000
Issuance of common stock for conversion of debt	33,366,847	33,367	1,470,471	-	1,503,838
Balance at December 31, 2007 (As Restated)	118,401,595	118,401	6,752,947	(8,948,340)	(2,076,992)
Net loss				(2,127,028)	(2,127,028)
Issuance of convertible debt with beneficial conversion interest			168,779		168,779
Issuance of common stock for services rendered	45,338,500	45,338	355,007	-	400,345
Sale of common stock at $.035 per share	2,000,000	2,000	68,000	-	70,000
Sale of common stock at $.0026 per share	8,500,000	8,500	14,000	-	22,500
Sale of common stock at $.005 per share	5,000,000	5,000	20,000	-	25,000
Sale of common stock at $.0032 per share	6,250,000	6,250	13,750	-	20,000
Sale of common stock at $.00351 per share	5,700,000	5,700	14,300	-	20,000
Sale of common stock at $.0035 per share	11,642,857	11,643	29,107	-	40,750
Issuance of common stock for conversion of debt	63,709,683	63,710	838,051	-	901,761
Balance at December 31, 2008 (As Restated)	266,542,635	$ 266,542	$ 8,273,941	$ (11,075,368)	$ (2,534,885)
Net loss				(634,091)	(634,091)
Issuance of convertible debt with beneficial conversion interest			6,000	-	6,000
Issuance of common stock for services rendered	149,051,667	149,052	93,845	-	242,897
Sale of common stock at $.0030 per share	9,000,000	9,000	18,000	-	27,000
Sale of common stock at $.0020 per share	15,000,000	15,000	15,000	-	30,000
Sale of common stock at $.0017 per share	11,500,000	11,500	8,500	-	20,000
Sale of common stock at $.0015 per share	16,666,667	16,667	8,334	-	25,001
Sale of common stock at $.0012 per share	55,500,000	55,500	11,100	-	66,600
Sale of common stock at $.0013 per share	16,750,000	16,750	4,850	-	21,600
Sale of common stock at $.02 per share	7,500,000	7,500	142,500	-	150,000
Sale of common stock at $.028 per share	5,357,142	5,357	144,643	-	150,000
Sale of common stock at $.0444 per share	2,250,000	2,250	97,750	-	100,000
Sale of common stock at $.05 per share	5,646,000	5,646	276,654	-	282,300
Issuance of common stock for conversion of debt	905,788,207	905,788	182,724	-	1,088,512
Issuance of common stock for warrant exercises	4,446,553	4,447	889	-	5,336
Balance at December 31, 2009 (As Restated)	1,470,998,871	$ 1,470,999	$ 9,284,730	$ (11,709,459)	$ (953,730)

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency
For the Period from April 10, 2000 (Inception) to June 30, 2012
(Continued)

	Capital Stock		(Restated) Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
Balance at December 31, 2009 (As Restated)	1,470,998,871	$ 1,470,999	$ 9,284,730	$ (11,709,459)	$ (953,730)
Net loss				(2,992,539)	(2,992,539)
Compensation expense for nonvested share awards					
Share-based compensation	9,950,000	9,950	326,768	-	336,718
Issuance of common stock for services rendered at $.002250 per share	3,200,000	3,200	4,000	-	7,200
Issuance of common stock for services rendered at $.00500 per share	2,500,000	2,500	10,000	-	12,500
Issuance of common stock for services rendered at $.005250 per share	5,000,000	5,000	21,250	-	26,250
Issuance of common stock for conversion of debt at $.0012 per share	55,000,000	55,000	11,000	-	66,000
Balance at December 31, 2010	1,546,648,871	$ 1,546,649	$ 9,657,748	$ (14,701,998)	$ (3,497,601)
Net loss				$ -	-
Compensation expense for nonvested share awards					
Share-based compensation	-	-	222,815	-	222,815
Issuance of common stock for conversion of debt at $.0015 per share	80,000,000	80,000	16,000	-	96,000
Issuance of common stock for services rendered at $.0060 per share	1,800,000	1,800	9,000	-	10,800
Issuance of common stock for services rendered at $.0080 per share	12,150,000	12,150	-	-	12,150
Issuance of common stock for services rendered at $.0069 per share	83,000	83	-	-	83
Issuance of common stock for services rendered at $.0049 per share	5,000,000	5,000	19,500	-	24,500
Issuance of common stock for services rendered at $.00295 per share	20,000,000	20,000	39,000	-	59,000
Issuance of common stock for services rendered at $.00650 per share	20,000,000	20,000	110,000	-	130,000
Issuance of common stock for cash at $.00250 per share	10,000,000	10,000	15,000	-	25,000
Issuance of common stock for cash at $.009091 per share	5,500,000	5,500	44,500	-	50,000
Issuance of common stock for cash at $.00625 per share	8,000,000	8,000	42,000	-	50,000
Issuance of common stock for cash at $.00500 per share	10,000,000	10,000	40,000	-	50,000
Issuance of common stock for cash at $.00400 per share	12,500,000	12,500	37,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002273 per share	22,000,000	22,000	28,000	-	50,000
Issuance of common stock for cash at $.002000 per share	25,000,000	25,000	25,000	-	50,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Net loss				(2,840,060)	(2,840,060)
Balance at December 31, 2011 (Restated)	1,950,681,871	$ 1,950,682	$ 10,614,063	$ (17,542,058)	$ (4,977,313)
Issuance of common Stock for cash at $.001450 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001300 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001350 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001200 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001100 per share	45,000,000	45,000	-	-	45,000
Issuance of common stock for cash at $.002000 per share	5,500,000	5,500	5,500	-	11,000
Issuance of common stock for services rendered at $.001000 per share	10,000,000	10,000	-		10,000
Issuance of common stock for cash at $.002000 per share	8,750,000	8,750	8,255		17,005
Issuance of common stock for services rendered at $.0025 per share	10,000,000	10,000	15,000		25,000
Issuance of common stock for services rendered at $.0025 per share	30,000,000	30,000	45,000		75,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000		10,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000		10,000
Issuance of common stock for conversion of debt at $.0017 per share	91,808,086	91,808	65,095		156,903
Issuance of common stock for conversion of debt at $.0020 per share	57,618,000	57,618	56,391		114,009
Issuance of common stock for conversion of debt at $.0020 per share	57,618,000	57,618	56,391		114,009
Issuance of common stock for cash at $.002000 per share	33,333,334	33,333	16,667		50,000
Issuance of common stock for cash at $.001000 per share	15,000,000	15,000	-		15,000
Issuance of common stock for services rendered at $.0025 per share	1,000,000	1,000	14,000		15,000
Compensation expense for nonvested share awards			80,585		80,585
Issuance of convertible debt with beneficial conversion interest			33,905		33,905
Net loss				(1,238,473)	(1,238,473)
Balance at June 30, 2012	2,436,309,291	2,436,309	11,060,852	(18,780,531)	(5,283,370)

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
For the Six Months Ended June 30, 2012 and 2011
And for the period from April 10, 2000 (Inception) to June 30, 2012
(Unaudited)

	June 30, 2012	June 30, 2011	April 10, 2000 (Inception) to June 30, 2012
Cash flows from Operating Activities:			
Net loss	$(1,238,473)	$ (1,421,956)	$ (18,780,531)
Adjustment to Reconcile Net Loss to			
Net Cash Used In Operating Activities:			
Depreciation and amortization	9,428	9,428	138,913
Provision for bad debts	81	-	417,691
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	4,805	10,244	788,137
Non-cash expenses	-	-	1,503,499
Share-based compensation expense	205,585	249,474	1,074,354
Non-cash interest related to notes payable	-	-	592,418
Non-cash interest related to related party notes payable	212,200	175,451	871,168
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	259,575	52,121	897,070
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	(7,083)	(105,039)	(417,691)
Inventory	(50,621)	150,839	(825,805)
Prepaid expenses and others	41,731	77,659	8,269
Increase (Decrease) in:			
Cash Overdraft	15,937	-	15,937
Accounts payable and accrued expenses	(32,575)	(2,714)	569,089
Deferred revenue	18,475	(85,045)	18,475
Net cash used in operating activities	(560,935)	(889,538)	(12,232,239)
Cash flows from Investing Activities			
Acquisition of property and equipment	-	-	(211,564)
Net cash Used in Investing Activities	-	-	(211,564)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	-	-	(575,028)
Proceeds from related party notes payable	-	900,000	7,979,193
Proceeds from shareholder loans	202,000	-	202,000
Payments on related party notes payable	-	-	(974,803)
Proceeds from issuance of common stock	308,005	-	4,736,842
Other	-	-	(9,987)
Net cash provided by financing activities	510,005	900,000	12,448,365
Net Increase (Decrease) in cash	(50,930)	10,462	4,562
Cash- Beginning of Period	55,492	26,389	-
Cash- End of Period	$ 4,562	$ 36,851	$ 4,562
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			
Interest	$ -	$ -	$ 66,632
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 384,920	$ 96,000	$ 3,856,545
Issuance of convertible debt with beneficial conversion interest	$ 33,905	$ -	$ 874,887
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Prepaid insurance expense through issuance of notes	$ -	$ 24,871	$ -
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. BioElectronics Corporation (the "Company") is the maker of inexpensive, drug–free, anti-inflammatory medical devices and patches – its primary SIC code is 3845. The Company's wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™ and RecoveryRx™.

The dermal patch delivery system creates a multitude of new product opportunities for chronic and acute inflammatory conditions. The market potential is estimated at $10 billion or 400 million incidents worldwide. The distinctive value proposition of the device is the delivery of drug-free therapy that reduces pain and inflammation and accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The current major applications are:

- Medical Surgeries
- Chronic Wounds
- Oral Surgeries
- Sprains and Strains
- Lower Back Pain
- Chronic Repetitive Stress Injuries, Heel Pain, Carpal Tunnel, Bursitis, etc.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.

In early 2008, the Company redesigned its product and manufacturing process and established new disease specific products and distinct medical and retail product lines. It also shifted its attention to international sales.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, developing and testing Infomercials, product design changes, establishing sources of material supply and manufacturing subcontractors, recruiting distributors and establishing a market presence for its product.

NOTE 1- NATURE OF BUSINESS (Continued)

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Italy, Scandinavia, Saudi Arabia, Japan, Benelux, the Balkans, Austria, Australia, China and South America. The distribution agreements grant the right

to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 BASIS OF PRESENTION

The unaudited condensed financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

The year-end condensed balance sheet data were derived from the 2011 annual financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the 2011 unaudited financial statements and accompanying notes.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by ASC Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. Additionally, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $128,081 at June 30, 2012 and $128,000 at December 31, 2011. Bad debt expense was $81 and $-0- for the three and six months ended June 30, 2012 and June 30, 2011, respectively.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Costs incurred to fund the production of advertisements, including Infomercials, are reported as a prepaid expense if the

related advertisement has not yet been broadcast. Advertising expenses for the six months ended June 30, 2012 and 2011 are $70,139 and $59,317, respectively, and are included in other general and administrative expenses in the statements of operations. Prepaid advertising costs are amortized on a straight-line basis over a one year period beginning on the date the advertisements are aired.

As of June 30, 2012 and December 31, 2011, total advertising costs included in prepaid expenses on the balance sheets were $-0-. Total amortization expense included in advertising costs for the six months ended June 30, 2012 and 2011, and for the period from inception (April 10, 2000) through June 30, 2012, was $-0-, $30,699, and $68,728, respectively.

REVENUE RECOGNITION

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 30 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. The Company's agreement with customers includes a right of return, but the return history of products is immaterial. No allowance for sales returns is required for the six months ended June 30, 2012 and 2011. Defective units are replaced at the request of the customer.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement and fair value attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

NOTE 4 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of

business. The Company has incurred substantial losses from operations. The Company sustained a net loss of approximately $1,238,000 for the six months ended June 30, 2012. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 5 - INVENTORY

The components of inventory consisted of the following as of:

	June 30, 2012	December 31, 2011
Raw materials	$ 391,688	$ 411,232
Prepaid inventory	52,378	52,366
Finished goods	381,739	311,586
	$ 825,805	$ 775,184

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	June 30, 2012	December 31, 2011
Machinery & Equipment	$ 163,129	$ 163,129
Leasehold improvements	6,882	6,882
	170,011	170,011
Less: accumulated depreciation	121,543	115,744
Total property and equipment, net	$ 48,468	$ 54,267

Depreciation expense on property and equipment amounted to $9,428 for the six months ended June 30, 2012 and June 30, 2011.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or

combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

IBEX Revolver Agreement (continued)

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the three months ended June 30, 2012, IBEX converted $-0- of the Revolver's outstanding balance and received zero shares of the Company's common stock. The balance of the Revolver as of June 30, 2012 and December 31, 2011 was $1,240,834 and $1,200,727, respectively, net of unamortized discount from beneficial conversion feature of $48,044 and $57,654, respectively.

Amortization of the discount included in interest expense for the three months ended June 30, 2012 and 2011 was $4,804 and for the period from April 10, 2000 (Inception) through June 30, 2012 amounted to $792,938. Future amortization of the discount will be approximately $4,800 per quarter from 2012 through 2014, unless all or part of the outstanding Revolver balance is extinguished prior to January 1, 2015.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum.

Issuance Dates Ranging from	Maturity Dates Ranging from		Amounts Convertible Principal	Interest	Total	Average Conversion Price/Share	Shares to be Issued	Lender
8/1/2009 to 8/17/2011	07/31/2012 to 6/30/2014	8.00%	$2,688,253	$ 460,805	$3,149,058	0.0038	892,142,164	Shareholder

All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance (e.g. August 31, 2011), whether by the payment of cash or by conversion into shares of the Company's common stock. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

On June 27, 2012, the Company reached an agreement with IBEX to extend the maturity of $190,000 of IBEX convertible notes for one year, as the Company did not have the cash to repay the notes and both parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 a share. The extension of these convertible notes for a reduced conversion price resulted in a beneficial conversion feature, which was recorded as a discount offsetting the related party notes payable and additional paid-in capital on the accompanying balance sheet as of June 30, 2012. The amount of this beneficial conversion feature will be amortized over the life of the notes as a discount against the carrying value of the notes. Amortization of the beneficial conversion feature will be recorded in Interest Expense going forward from the date the notes were extended.

Total interest expense incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the six months ended June 30, 2012 and 2011 was $156,415 and $135,900 respectively. For the three months ended June 30, 2012 and 2011, interest expense was $78,931 and $75,499, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of Robert Whelan, the son, and Janel Zaluski, a daughter of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by family members of the President of the Company. Richard Staelin is a member of the Board of Directors and Chairman of the Board.

The following table is a schedule of the individual promissory notes issuance date, maturity date, principal balance, accrued interest, and number of shares which the debt can be converted to as of June 30, 2012:

Maturity Dates Ranging from	Maturity Dates Ranging from	Amounts Convertible Principal	Interest	Total	Average Conversion Price/Share	Shares to be Issued	Lender
6/30/2010 to 9/16/2011	9/13/2013 to 1/31/2014	$ 1,109,170	$106,015	$1,215,185	$ 0.0029	422,250,734	President/Shareholder
11/9/2010 to 12/9/2010	11/30/2012 to 12/31/2012	103,333	11,629	114,962	0.0035	32,890,935	Board Chairman
8/9/2010 to 12/31/2010	8/31/2012 to 12/31/2012	52,095	5,314	57,409	0.0046	12,480,217	Other Related Parties
		$ 1,264,598	$122,958	$1,387,556	$ 0.0030	$ 467,621,886	

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and

principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price indicated in the table above.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. During the six months ended June 30, 2012, approximately $436,000 worth of debt was converted into 207,044,086 shares of $.001-par common stock.

On June 27, 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 a share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The amount of this feature will be amortized over the life of the notes as a discount the carrying value of the notes. Amortization of the feature will be recorded in interest expense going forward from the date the notes were extended. The total beneficial conversion feature on these notes, combined with the beneficial conversion interest on the IBEX notes payable was approximately $34,000 as of June 30, 2012.

Interest expense incurred on the other related party notes payable for the three and six months ended June 30, 2012 totaled $24,848 and $53,849 respectively.

Future minimum principal payments for the notes payable, IBEX Revolver, IBEX Notes and other related party loans are as follows:

2013	$ 2,036,655
2014	2,523,369
2015	1,488,469
	$ 6,048,493

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three Months ended June 30,	
Common Stock:	2012	2011
Weighted Average Number of Shares Outstanding - Basic	2,436,309,291	1,651,848,871
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	2,436,309,291	1,651,848,871
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	-	65,850,000
Options to Purchase Common Stock	-	-
Warrants to Purchase Common Stock	-	-
	-	65,850,000

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

As of June 30, 2012, the Company had 200 million shares available for future grant under the Plan.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

Below is a summary table of the options granted and the weighted-average grant date fair value during the six months ended June 30, 2012:

Stock options	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	24,000,000	$ 0.0050
Granted	-	-
Vested	(8,000,000)	0.0050
Forfeited	-	-
Balance at June 30, 2012	16,000,000	$ 0.0050

Compensation expense related to the stock options during the three months ended June 30, 2012 was $15,134. Remaining compensation expense totals $53,949 as of June 30, 2012.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 1.5 year weighted-average period is approximately $36,000.

NOTE 9 – SHARE BASED COMPENSATION (CONTINUED)

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

A summary of the status of the Company's nonvested shares granted to employees as of June 30, 2012, and changes during the six months ended June 30, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	10,133,333	$ 0.0181
Granted	-	-
Vested	(5,066,667)	0.0181
Forfeited	(2,500,000)	0.0181
Balance at June 30, 2012	2,566,666	$ 0.0181

Total compensation cost related to the restricted stock awards granted to employees was $2,815 and $45,856 for the three and six months ended June 30, 2012.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 1.5 year weighted-average period is approximately $37,000.

Total compensation cost related to the restricted stock awards granted to Non-employees was $22,928 and $25,743 for the three months and six months ended June 30, 2012 and 2011, respectively.

NOTE 9 – SHARE BASED COMPENSATION (CONTINUED)

Nonvested Restricted Share Awards
A summary of the status of the Company's nonvested shares granted to Non-employees as of June 30, 2012, and changes during the six months ended June 30, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	11,333,334	$ 0.0075
Granted	-	-
Vested	(2,000,000)	0.0181
Forfeited	-	-
Balance at June 30, 2012	9,333,334	$ 0.0091

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to non-employees that the Company will have to recognize over a .8 year weighted-average period is approximately $61,000.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the six months ended June 30, 2012 because of a significant net operating loss carry-forward of approximately $14.0 million. The net operating losses expire in various years through 2031. A full valuation allowance has been recorded against the deferred tax asset resulting from the benefits associated with the net operating loss carry-forward.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable, accrued liabilities, loans and notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

NOTE 11 – FAIR VALUE MEASUREMENTS (CONTINUED)

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The future minimum lease payments as of June 30 for 2012 are $1,221, 2013 is $2,693 and 2014 is $1,346, respectively.

The amount of rental expenses were $22,804 for the three months ended June 30, 2012.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 6, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The

agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Sales transactions to eMarkets recognized for the three months ended June 30, 2012 and 2011 include $ 13,496 and $213,787 in sales, respectively and $ 8,755 and $80,897, in costs of goods sold, respectively. Sales transactions to eMarkets recognized for the six months ended June, 2012 and 2011 include $ 14,000 and $236,301 in sales, respectively and $8,664 and $85,850, in costs of goods sold, respectively. The balance due from eMarkets was $25,557 and $24,512 at June 30, 2012 and December 31, 2011, respectively.

NOTE 14 – CONCENTRATIONS

As of June 30, 2012 $269,869 of trade receivables was from 5 customers. For the three months ended June 30, 2012 approximately 90 percent of sales revenue was from 2 customers. For the six months ended June 30, 2012 approximately 78 percent of sales revenue was from 5 customers. Sales revenue for the three and six months ended June 30, 2012 was predominantly from international markets.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012

Unaudited financial statements for BioElectronics Corporation for the three-month and nine-month periods ended September 30, 2012 have been prepared by management, accordingly the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements are prepared to conform to interim financial statement presentation and accordingly omit or condense certain disclosures required by generally accepted accounting principles to be considered a complete set of financial statements.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Balance Sheets
(Unaudited)

	September 30, 2012	(Restated) December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 5,664	$ 55,492
Trade and other receivables, net	59,343	185,823
Due from related party	30,020	-
Inventory	733,361	775,184
Prepaid expenses and other	52,344	50,000
Total current assets	880,732	1,066,499
Property and equipment	170,011	170,011
Less: Accumulated depreciation	(124,223)	(112,058)
Property and equipment, net	45,788	57,953
Total assets	$ 926,520	$ 1,124,452
Liabilities and stockholders' deficiency		
Current liabilities:		
Cash overdraft	$ 22,210	$ -
Accounts payable and accrued expenses	303,465	314,990
Related party notes payable, current portion	3,167,943	2,120,427
Notes payable	-	100,537
Total current liabilities	3,493,618	2,535,954
Long-term liabilities:		
Related party notes payable, net of discount	2,915,774	3,565,811
Total liabilities	6,409,392	6,101,765
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 3,000,000,000 and 2,500,000,000 shares authorized at September 30, 2012 and December 31, 2011, respectively, and 2,655,448,291 and 1,950,681,871 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	2,655,448	1,950,682
Additional paid-in capital	11,277,365	10,614,063
Deficit accumulated during the development stage	(19,415,685)	(17,542,058)
Total stockholders' deficiency	(5,482,872)	(4,977,313)
Total liabilities and stockholders' deficiency	$ 926,520	$ 1,124,452

BioElectronics Corporation (A Development Stage Company)
Statements of Operations
For Three and Nine Months Ended September 30, 2012 and 2011
and for the Period from April 10, 2000 (Inception) to September 30, 2012
(Unaudited)

	For the three months ended		For the nine months ended		
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	Period from April 10, 2000 (Inception) to September 30, 2012
Sales	$ 23,440	$ 42,810	$ 309,669	$ 737,339	$ 5,401,426
Cost of Goods Sold	22,819	38,613	205,372	372,869	2,544,577
Gross profit	621	4,197	104,297	364,470	2,856,849
General and Administrative Expenses:					
Bad Debt Expense	98,734	-	98,815	-	418,425
Depreciation and Amortization	2,737	4,714	12,165	14,142	142,150
Investor Relations Expenses	13,000	130,000	165,339	273,893	2,075,393
Legal and Accounting Expenses	11,568	33,403	172,060	260,104	1,922,010
Sales Support Expenses	141,041	102,745	754,066	365,010	3,426,531
Research and Development	122,200	-	134,200	-	134,200
Other General and Administrative Expenses	123,832	392,797	292,081	1,347,044	11,042,225
Total General and Administrative Expenses	513,112	663,659	1,628,726	2,260,193	19,160,934
Loss from Operations	(512,491)	(659,462)	(1,524,429)	(1,895,723)	(16,304,085)
Interest Expense and Other, Net:					
Other Income	1,130	-	1,249	-	117,405
Interest Expense	(119,678)	(113,954)	(341,896)	(299,649)	(3,185,165)
Other Expenses	(2,297)	-	(8,551)	-	(43,840)
Total Interest Expense and Other, Net	(120,845)	(113,954)	(349,198)	(299,649)	(3,111,600)
Loss Before Income Taxes	(633,336)	(773,416)	(1,873,627)	(2,195,372)	(19,415,685)
Provision for Income Tax Expense	-	-	-	-	-
Net loss	$ (633,336)	$ (773,416)	$ (1,873,627)	$ (2,195,372)	$ (19,415,685)
Net loss Per Share - Basic and Diluted	$ (0.0002)	$ (0.0005)	$ (0.0007)	$ (0.0014)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	2,596,114,958	1,703,270,871	2,292,062,613	1,656,167,315	N/A

See Accompanying Condensed Notes

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency
For the Period from April 10, 2000 (Inception) to September 30, 2012
(Unaudited)

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at April 10, 2000 (Inception)	-	$ -	$ -	$ -	$ -
Net Loss	-	-	-	(34,124)	(34,124)
Contribution of assets	-	-	8,000	-	8,000
Issuance of common stock for services rendered	22,150,000	22,150	(8,000)	(13,150)	1,000
Balance at December 31, 2000	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2001	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2002	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	(568,087)	(568,087)
Sale of common stock at $.03 per share	3,950,000	3,950	112,100	-	116,050
Sale of common stock at $.0496 per share	800,000	800	38,900	-	39,700
Sale of common stock at $.35 per share	40,000	40	13,960	-	14,000
Balance at December 31, 2003	26,940,000	26,940	164,960	(615,361)	(423,461)
Net loss		-	-	(792,799)	(792,799)
Common stock dividend	15,800,577	15,800	-	(15,800)	-
Issuance of common stock for services rendered	2,245,649	2,246	110,036	-	112,282
Sale of common stock at $.3540 per share	678,000	678	239,322	-	240,000
Sale of common stock at $.4286 per share	149,333	149	63,851	-	64,000
Sale of common stock at $.30 per share	83,333	83	24,917		25,000
Sale of common stock at $.01 per share	5,020,000	5,020	45,180	-	50,200
Balance at December 31, 2004	50,916,892	50,916	648,266	(1,423,960)	(724,778)
Net loss		-	-	(2,233,678)	(2,233,678)
Fair value of warrants issued in connection with financing arrangements			542,460		542,460
Issuance of convertible debt with beneficial conversion interest	-	-	422,324	-	422,324
Issuance of common stock for services rendered	2,128,000	2,128	205,043	-	207,171
Sale of common stock at $.30 per share	3,420,000	3,420	1,022,580	-	1,026,000
Sale of common stock at $.0833 per share	4,600,000	4,600	378,785	-	383,385
Sale of common stock at $.0959 per share	800,000	800	75,912	-	76,712
Sale of common stock at $.1475 per share	1,000,000	1,000	146,500	-	147,500
Balance at December 31, 2005	62,864,892	62,864	3,441,870	(3,657,638)	(152,904)
Net loss				(3,185,522)	(3,185,522)
Issuance of convertible debt with beneficial conversion interest			88,214		88,214
Issuance of common stock for services rendered	7,099,856	7,100	433,481	-	440,581
Fair value of warrants issued in connection with financing arrangements	-	-	182,913	-	182,913
Sale of common stock at $.1667 per share	240,000	240	39,760	-	40,000
Sale of common stock at $.10 per share	400,000	400	39,600	-	40,000
Issuance of common stock for conversion of debt	5,000,000	5,000	495,000		500,000
Stock based compensation expense	-	-	72,703	-	72,703
Balance at December 31, 2006	75,604,748	75,604	4,793,541	(6,843,160)	(1,974,015)
Net loss				(2,105,180)	(2,105,180)
Issuance of convertible debt with beneficial conversion interest			155,665		155,665
Issuance of common stock for services rendered	1,555,000	1,555	51,145	-	52,700
Sale of common stock at $.035 per share	6,000,000	6,000	204,000	-	210,000
Sale of common stock at $.04 per share	750,000	750	29,250	-	30,000
Sale of common stock at $.0444 per share	1,125,000	1,125	48,875	-	50,000
Issuance of common stock for conversion of debt	33,366,847	33,367	1,470,471	-	1,503,838
Balance at December 31, 2007	118,401,595	118,401	6,752,947	(8,948,340)	(2,076,992)
Net loss				(2,127,028)	(2,127,028)
Issuance of convertible debt with beneficial conversion interest			168,779		168,779
Issuance of common stock for services rendered	45,338,500	45,338	355,007	-	400,345
Sale of common stock at $.035 per share	2,000,000	2,000	68,000	-	70,000
Sale of common stock at $.0026 per share	8,500,000	8,500	14,000	-	22,500
Sale of common stock at $.005 per share	5,000,000	5,000	20,000	-	25,000
Sale of common stock at $.0032 per share	6,250,000	6,250	13,750	-	20,000
Sale of common stock at $.00351 per share	5,700,000	5,700	14,300	-	20,000
Sale of common stock at $.0035 per share	11,642,857	11,643	29,107	-	40,750
Issuance of common stock for conversion of debt	63,709,683	63,710	838,051	-	901,761
Balance at December 31, 2008	266,542,635	$ 266,542	$ 8,273,941	$ (11,075,368)	$ (2,534,885)
Net loss				(634,091)	(634,091)
Issuance of convertible debt with beneficial conversion interest			6,000	-	6,000
Issuance of common stock for services rendered	149,051,667	149,052	93,845	-	242,897
Sale of common stock at $.0030 per share	9,000,000	9,000	18,000	-	27,000
Sale of common stock at $.0020 per share	15,000,000	15,000	15,000	-	30,000
Sale of common stock at $.0017 per share	11,500,000	11,500	8,500	-	20,000
Sale of common stock at $.0015 per share	16,666,667	16,667	8,334	-	25,001
Sale of common stock at $.0012 per share	55,500,000	55,500	11,100	-	66,600
Sale of common stock at $.0013 per share	16,750,000	16,750	4,850	-	21,600
Sale of common stock at $.02 per share	7,500,000	7,500	142,500	-	150,000
Sale of common stock at $.028 per share	5,357,142	5,357	144,643	-	150,000
Sale of common stock at $.0444 per share	2,250,000	2,250	97,750	-	100,000
Sale of common stock at $.05 per share	5,646,000	5,646	276,654	-	282,300
Issuance of common stock for conversion of debt	905,788,207	905,788	182,724	-	1,088,512
Issuance of common stock for warrant exercises	4,446,553	4,447	889	-	5,336
Balance at December 31, 2009	1,470,998,871	$ 1,470,999	$ 9,284,730	$ (11,709,459)	$ (953,730)

See Accompanying Condensed Notes

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency
For the Period from April 10, 2000 (Inception) to September 30, 2012
(Unaudited)
(Continued)

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
Balance at December 31, 2009	1,470,998,871	$ 1,470,999	$ 9,284,730	$ (11,709,459)	$ (953,730)
Net loss				(2,992,539)	(2,992,539)
Compensation expense for nonvested share awards					-
Share-based compensation	9,950,000	9,950	326,768	-	336,718
Issuance of common stock for services rendered at $.002250 per share	3,200,000	3,200	4,000	-	7,200
Issuance of common stock for services rendered at $.00500 per share	2,500,000	2,500	10,000	-	12,500
Issuance of common stock for services rendered at $.005250 per share	5,000,000	5,000	21,250	-	26,250
Issuance of common stock for conversion of debt at $.0012 per share	55,000,000	55,000	11,000	-	66,000
Balance at December 31, 2010	1,546,648,871	$ 1,546,649	$ 9,657,748	$ (14,701,998)	(3,497,601)
Share-based compensation	-	-	222,815	-	222,815
Issuance of common stock for conversion of debt at $.0015 per share	80,000,000	80,000	16,000	-	96,000
Issuance of common stock for services rendered at $.0060 per share	1,800,000	1,800	9,000	-	10,800
Issuance of common stock for services rendered at $.0080 per share	12,150,000	12,150	-	-	12,150
Issuance of common stock for services rendered at $.0069 per share	83,000	83	-	-	83
Issuance of common stock for services rendered at $.0049 per share	5,000,000	5,000	19,500	-	24,500
Issuance of common stock for services rendered at $.00295 per share	20,000,000	20,000	39,000	-	59,000
Issuance of common stock for services rendered at $.00650 per share	20,000,000	20,000	110,000	-	130,000
Issuance of common stock for cash at $.00250 per share	10,000,000	10,000	15,000	-	25,000
Issuance of common stock for cash at $.009091 per share	5,500,000	5,500	44,500	-	50,000
Issuance of common stock for cash at $.00625 per share	8,000,000	8,000	42,000	-	50,000
Issuance of common stock for cash at $.00500 per share	10,000,000	10,000	40,000	-	50,000
Issuance of common stock for cash at $.00400 per share	12,500,000	12,500	37,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002273 per share	22,000,000	22,000	28,000	-	50,000
Issuance of common stock for cash at $.002000 per share	25,000,000	25,000	25,000	-	50,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Net loss				(2,840,060)	(2,840,060)
Balance at December 31, 2011	1,950,681,871	$ 1,950,682	$ 10,614,063	$ (17,542,058)	$ (4,977,313)
Issuance of common Stock for cash at $.001450 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001300 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001350 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001200 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001100 per share	45,000,000	45,000	-	-	45,000
Issuance of common stock for cash at $.002000 per share	5,500,000	5,500	5,500	-	11,000
Issuance of common stock for services rendered at $.001000 per share	10,000,000	10,000	-	-	10,000
Issuance of common stock for cash at $.002000 per share	8,750,000	8,750	8,255	-	17,005
Issuance of common stock for services rendered at $.0025 per share	10,000,000	10,000	15,000	-	25,000
Issuance of common stock for services rendered at $.0025 per share	30,000,000	30,000	45,000	-	75,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000	-	10,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000	-	10,000
Issuance of common stock for conversion of debt at $.0017 per share	91,808,086	91,808	65,095	-	156,903
Issuance of common stock for conversion of debt at $.0020 per share	57,618,000	57,618	56,391	-	114,009
Issuance of common stock for conversion of debt at $.0020 per share	57,618,000	57,618	56,391	-	114,009
Issuance of common stock for cash at $.002000 per share	33,333,334	33,333	16,667	-	50,000
Issuance of common stock for cash at $.001000 per share	15,000,000	15,000	-	-	15,000
Issuance of common stock for services rendered at $.0025 per share	1,000,000	1,000	1,500	-	2,500
Issuance of common stock for conversion of debt at $.0020 per share	71,139,000	71,139	71,139	-	142,278
Issuance of common stock for cash at $.001360 per share	25,000,000	25,000	9,000	-	34,000
Issuance of common stock for cash at $.002000 per share	25,000,000	25,000	25,000	-	50,000
Issuance of common stock for cash at $.002080 per share	12,000,000	12,000	13,000	-	25,000
Issuance of common stock for cash at $.001786 per share	28,000,000	28,000	22,000	-	50,000
Issuance of common stock for cash at $.001786 per share	28,000,000	28,000	22,000	-	50,000
Issuance of common stock for cash at $.001786 per share	30,000,000	30,000	20,000	-	50,000
Compensation expense for nonvested share awards			127,459	-	127,459
Issuance of convertible debt with beneficial conversion interest			33,905	-	33,905
Net loss				(1,873,627)	(1,873,627)
Balance at September 30, 2012	2,655,448,291	2,655,448	11,277,365	(19,415,685)	(5,482,872)

See Accompanying Condensed Notes

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Nine Months Ended September 30, 2012 and Year Ended December 31, 2011
and for the Period from April 10, 2000 (Inception) to September 30, 2012
(Unaudited)

	2012	2011	April 10, 2000 (Inception) to September 30, 2012
Cash flows from Operating Activities:			
Net loss	$ (1,873,627)	$ (2,852,660)	$ (19,415,685)
Adjustment to Reconcile Net Loss to			
Net Cash Used In Operating Activities:			
Depreciation and amortization	12,165	17,186	141,650
Provision for bad debts	98,815	98,000	516,425
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	19,401	25,317	802,733
Non-cash expenses	-	-	1,503,499
Share-based compensation expense	239,959	471,948	1,092,028
Non-cash interest related to notes payable	-	-	592,418
Non-cash interest related to related party notes payable	322,159	385,087	981,127
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	244,022	52,122	949,840
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	27,665	(98,853)	(210,697)
Inventory	41,823	197,162	(733,361)
Due from related party	(30,020)	-	(30,020)
Prepaid expenses and other	(2,344)	71,955	(52,344)
Increase (Decrease) in:			
Accounts payable and accrued expenses	(59,948)	28,449	303,465
Cash Overdraft	22,210	-	22,210
Deferred revenue	-	(213,315)	-
Net cash used in operating activities	(937,720)	(1,817,602)	(12,639,944)
Cash flows from Investing Activities			
Acquisition of property and equipment	-	-	(211,564)
Net cash Used in Investing Activities	-	-	(211,564)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	(52,114)	(22,295)	(627,142)
Proceeds from related party notes payable	373,000	1,064,000	8,352,193
Proceeds from financing of receivables with related party	-	-	116,978
Payments on related party notes payable	-	-	-
Proceeds from shareholder loans	-	-	-
Payments for financing of receivables with related party	-	-	(974,803)
Proceeds from issuance of common stock	567,006	805,000	4,984,277
Other	-	-	(9,987)
Net cash provided by financing activities	887,892	1,846,705	12,931,664
Net increase (Decrease) in cash	(49,828)	29,103	80,156
Cash- Beginning of Period	55,492	26,389	-
Cash- End of Period	$ 5,664	$ 55,492	$ 80,156
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			
Interest	$ -	$ -	$ 66,632
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 527,198	$ 96,000	$ 4,383,743
Issuance of convertible debt with beneficial conversion interest	$ 33,905	$ -	$ 874,887
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

See Accompanying Condensed Notes

BioElectronics Corporation (A Development Stage Company)
Condensed Notes to Financial Statements
For The Three and Nine Months Ended September 30, 2012
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. BioElectronics Corporation (the "Company") is the maker of inexpensive, drug–free, anti-inflammatory medical devices and patches – its primary SIC code is 3845. The Company's wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™ and RecoveryRx™.

The dermal patch delivery system creates a multitude of new product opportunities for chronic and acute inflammatory conditions. The market potential is estimated at $10 billion or 400 million incidents worldwide. The distinctive value proposition of the device is the delivery of drug-free therapy that reduces pain and inflammation and accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The current major applications are:

- Medical Surgeries
- Chronic Wounds
- Oral Surgeries
- Sprains and Strains
- Lower Back Pain
- Chronic Repetitive Stress Injuries, Heel Pain, Carpal Tunnel, Bursitis, etc.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.

In early 2008, the Company redesigned its product and manufacturing process and established new disease specific products and distinct medical and retail product lines. It also shifted its attention to international sales.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, developing and testing Infomercials, product design changes, establishing sources of material supply and manufacturing subcontractors, recruiting distributors and establishing a market presence for its product.

NOTE 1- NATURE OF BUSINESS (Continued)

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Italy, Scandinavia, Saudi Arabia, Japan, Benelux, the Balkans, Austria, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 BASIS OF PRESENTION

The unaudited financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities Exchange Commission (SEC). The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

The year-end balance sheet data were derived from the 2011 annual financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the 2011 unaudited financial statements and accompanying notes.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by ASC Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. Additionally, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $98,815 and $128,000 at September 30, 2012 and December 31, 2011, respectively. Bad debt expense was $98,734 and $98,815 for the three months and nine months ended September 30, 2012, respectively, and $-0- for the three and nine months ended September 30, 2011.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Costs incurred to fund the production of advertisements, including Infomercials, are reported as a prepaid expense if the related advertisement has not yet been broadcast. Advertising expenses for the three and nine months ended September 30, 2012 are $2,252 and $6,318, respectively, and are included in other general and administrative expenses in the statements of operations. Advertising expenses for the three and nine months ended September 30, 2011 are $5,078 and $56,554, respectively. Prepaid advertising costs are amortized on a straight-line basis over a one year period beginning on the date the advertisements are aired.

As of September 30, 2012 and December 31, 2011, total advertising costs included in prepaid expenses on the balance sheets were $-0. Total amortization expense included in advertising costs for the nine months ended September 30, 2012 and 2011, and for the period from inception (April 10, 2000) through September 30, 2012, was $-0-, $42,581, and $80,880, respectively.

REVENUE RECOGNITION

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 30 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. The Company's agreement with customers includes a right of return, but the return history of products is immaterial. No allowance for sales returns is required for the nine months ended September 30, 2012 and 2011. Defective units are replaced at the request of the customer.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement and fair value attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

NOTE 4 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of approximately $1,874,000 for the nine months ended September 30, 2012. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 5 - INVENTORY

The components of inventory consisted of the following as of:

	September 30, 2012	December 31, 2011
Raw materials	$ 453,488	$ 411,232
Prepaid inventory	20,117	52,366
Finished goods	259,756	311,586
	$ 733,361	$ 775,184

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	September 30, 2012	December 31, 2011
Machinery & Equipment	$ 163,129	$ 163,129
Leasehold improvements	6,882	6,882
	170,011	170,011
Less: accumulated depreciation	124,223	112,058
Total property and equipment, net	$ 45,788	$ 57,953

Depreciation expense on property and equipment amounted to $2,737 and $12,165, respectively, for the three and nine months ended September 30, 2012 and $4,714 and $14,142, respectively, for the three and nine months ended September 30, 2011.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

IBEX Revolver Agreement (continued)

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the three months and nine months ended September 30, 2012, IBEX converted $-0- of the Revolver's outstanding balance and received zero of the Company's common stock. During the nine months ended September 30, 2011 IBEX converted $96,000 of the Revolver's outstand balance and received 80,000,000 shares of the Company's common stock at a conversion price of $0.0012 per share. The balance of the Revolver as of September 30, 2012 and December 31, 2011 was $1,308,630 and $1,200,727, respectively, net of unamortized discount from beneficial conversion feature of $43,240 and $57,654, respectively.

Amortization of the discount included in interest expense for the three months ended September 30, 2012 and 2011 was $4,804 and for the period from April 10, 2000 (Inception) through September 30, 2012 amounted to $797,742. Future amortization of the discount will be approximately $4,800 per quarter from September 30, 2012 through 2014, unless all or part of the outstanding Revolver balance is extinguished prior to January 1, 2015.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance (e.g. August 31, 2011), whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

During the three and nine months ended September 30, 2012, the Company borrowed $133,500 and zero, respectively, through additional promissory notes with IBEX. During the three and nine months ended September 30, 2011, the Company borrowed $89,000 and $570,000, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

On June 27, 2012, the Company reached an agreement with IBEX to extend the maturity of $345,000 of IBEX convertible notes for one year, as the Company did not have the cash to pay the Notes and both parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 a share. The extension of these convertible notes for a reduced conversion price led to a Beneficial Conversion Feature. The amount of this feature will be amortized over the life of the notes as a discount the carrying value of the notes. Amortization of the Feature is included in Interest Expense going forward from the date the notes were extended.

The following table is a summary schedule of the individual IBEX promissory notes issuance date, maturity date, principal balance, accrued interest, and number of shares which the debt can be converted to as of September 30, 2012:

Issuance Dates Ranging from	Maturity Dates Ranging from		Amounts Convertible Principal	Interest	Total	Average Conversion Price/Share	Shares to be Issued
8/1/2009 to 9/30/2012	12/31/2012 to 9/30/2014	8.00%	$ 2,821,753	$ 525,234	$ 3,346,987	0.0040	833,441,221

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the three months ended September 30, 2012 and 2011 was $88,776 and $85,198 respectively. For the nine months ended September 30, 2012 and 2011, interest expense was $293,326 and $226,292, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of Robert Whelan, the son, Janel Zaluski, a daughter of the President of the Company and Mary Whelan, wife of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company. Richard Staelin is a member of the Board of Directors and Chairman of the Board.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price indicated in the table above.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

The following table is a schedule of the individual promissory notes issuance date, maturity date, principal balance, accrued interest, and number of shares which the debt can be converted to as of September 30, 2012:

Issuance Dates Ranging from	Maturity Dates Ranging from	Amounts Convertible Principal	Interest	Total	Average Conversion Price/Share	Shares to be Issued	Lender
6/30/2010 to 9/30/2012	11/30/2012 to 9/30/2014	$ 1,079,970	$ 111,817	$ 1,191,787	$ 0.0026	$ 453,372,463	President/Shareholder
11/9/2010 to 12/9/2010	11/30/2012 to 12/31/2012	103,333	16,338	119,671	0.0035	34,238,217	Board Chairman
8/9/2010 to 5/31/2012	12/31/2012 to 5/31/2014	82,095	7,665	89,760	0.0010	90,176,304	Other Related Parties
		$ 1,265,398	$ 135,820	$ 1,401,218	$ 0.0024	577,786,984	

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. During the nine months ended September 30, 2012, approximately $527,000 worth of debt was converted into 278,183,086 shares of $.001 par value common stock. During the three months ended September 30, 2012, approximately $142,000 worth of debt was converted into 71,139,000 shares of common stock at a conversion price of $0.002 per share.

During the three months ended September 30, 2012 the Company borrowed $211,568 from the CEO/President of the Company consisting of cash of $101,000 and conversion of accounts payable of $110,568 for reimbursement of expenses and services rendered. During the nine months ended September 30, 2012 the Company borrowed $385,138 from the CEO/President of the Company consisting of cash of $141,000 and conversion of accounts payable of $244,138 for reimbursement of expenses and services rendered. For the three and nine months ended September 30, 2012 the Company borrowed $-0- and $98,500, respectively, from Other Related Parties. The Company borrowed $80,000 and $1,068,541 from the President/CEO of the Company during the three and nine months ended September 30, 2011.

On June 27, 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 a share. The extension of these convertible notes for a reduced conversion price led to a Beneficial Conversion Feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was approximately $34,000 upon conversion.

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

Amortization of the discount included in interest expense for the three months ended September 30, 2012 was $4,986. Future amortization of the discount will be approximately $5,000 per quarter from September 30, 2012 through 2014, unless all or part of the outstanding Revolver balance is extinguished prior to expiration of the promissory notes.

Interest expense incurred on the other related party notes payable, including amortization of the discount, for the three and nine months ended September 30, 2012 totaled $33,999 and $89,812, respectively. Interest expense incurred on the other related party notes payable for the three and nine months ended September 30, 2011 totaled $33,999 and $89,812, respectively.

Future minimum principal payments for the notes payable, IBEX Revolver, IBEX Notes and other related party loans are as follows:

2013	$ 3,167,943
2014	1,650,384
2015	1,265,390
	$ 6,083,717

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three months ended September 30,		Nine months ended September 30,	
Common Stock:	2012	2011	2012	2011
Weighted Average Number of Shares Outstanding - Basic	2,596,114,958	1,703,270,871	2,292,062,613	1,656,167,315
Effect of Dilutive Securities:				
Options and Warrants	-	-	-	-
Weighted Average Number of Shares Outstanding - Diluted	2,596,114,958	1,703,270,871	2,292,062,613	1,656,167,315
Options and Warrants Not Included Above (Antidilutive)				
Nonvested Restricted Share Awards	12,479,710	48,383,058	15,153,724	57,336,020
Options to Purchase Common Stock	35,728,261	24,000,000	26,399,293	1,758,242
Warrants to Purchase Common Stock	-	-	-	-
	48,207,971	72,383,058	41,553,017	59,094,262

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

NOTE 9 – SHARE BASED COMPENSATION (CONTINUED)

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant under the Plan. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

On August 29, 2012, the Company granted stock options to employees of the Company, the chairman of the audit committee and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

Below is a summary table of the options granted and the weighted-average grant date fair value during the six months ended September 30, 2012:

Stock options	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	24,000,000	$ 0.0050
Granted	55,000,000	0.0029
Vested	(8,000,000)	0.0050
Forfeited	-	-
Balance at September 30, 2012	71,000,000	$ 0.0034

Compensation expense related to the stock options during the three months and nine months ended September 30, 2012 was $12,583 and $32,433, respectively.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 4.92 year weighted-average period is approximately $61,901.

NOTE 9 – SHARE BASED COMPENSATION (CONTINUED)

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

A summary of the status of the Company's nonvested shares granted to employees as of September 30, 2012, and changes during the nine months ended September 30, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	11,333,334	$ 0.0055
Granted	-	-
Vested	(5,333,334)	0.0110
Forfeited	-	-
Balance at September 30, 2012	6,000,000	$ 0.0104

Total compensation cost related to the restricted stock awards granted to employees was $15,134 and $50,127 for the three and nine months ended September 30, 2012.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 1.1 year weighted-average period is approximately $36,000.

NOTE 9 – SHARE BASED COMPENSATION (CONTINUED)

Nonvested Restricted Share Awards (Continued)

A summary of the status of the Company's nonvested shares granted to Non-employees as of September 30, 2012, and changes during the nine months ended September 30, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	10,133,333	$ 0.0181
Granted	-	-
Vested	(5,066,667)	0.0181
Forfeited	(833,333)	0.0181
Balance at September 30, 2012	4,233,333	$ 0.0181

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to non-employees that the Company will have to recognize over a .5 year weighted-average period is approximately $32,000.

Common Stock Issued For Services Rendered

On May 18, 2012 the Company issued 10,000,000 shares of common stock for services rendered valued at $10,000, which was recorded as a part of Investor Relations expense in the accompanying condensed statements of operations for the nine months ended September 30, 2012. These shares were valued at $0.001 per share, which represents the fair value of the services rendered.

On June 25, 2012 the Company issued 40,000,000 shares of common stock for services rendered valued at $100,000, which was recorded as a part of Other General and Administrative expense in the accompanying condensed statements of operations for the nine months ended September 30, 2012. These shares were valued at $0.0025 per share, which represents the fair value of the services rendered.

On June 22, 2012, the Company issued 1,000,000 shares of common stock for services rendered valued at $2,500, which was recorded as a part of Other General and Administrative expense in the accompanying condensed statements of operations for the nine months ended September 30, 2012. These shares were valued at $0.0025 per share, which represents the fair value of the services rendered.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended September 30, 2012 because of a significant net operating loss carry-forward of approximately $16.0 million. The net operating losses expire in various years through 2031. A full valuation allowance has been recorded against the deferred tax asset resulting from the benefits associated with the net operating loss carry-forward.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, cash overdraft, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The future minimum lease payments as of September 30 for 2012 are $1,221, 2013 is $2,693 and 2014 is $1,346, respectively.

The amount of rental expenses were $22,804 for the three months ended September 30, 2012.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

NOTE 13 – RELATED PARTY TRANSACTIONS (CONTINUED)

Sales transactions to eMarkets recognized for the three months ended September 30, 2012 and 2011 include $677 and $980 in sales, respectively and $659 and $393, in costs of goods sold, respectively. Sales transactions to eMarkets recognized for the nine months ended September, 2012 and 2011 include and $1,722 and $214,767 in sales, respectively and $1,676 and $78,027, in costs of goods sold, respectively. The balance due from eMarkets was $26,234 and $24,512 is included in Trade and Other Receivables, Net, on the accompanying balance sheets as of September 30, 2012 and 2011, respectively.

In addition to the related party notes payable with St. Johns LLC, the Company also advanced $30,020 to St. Johns LLC, which is expected to be repaid within twelve months from the balance sheet date and is recorded as Due from Related Party on the accompanying balance sheet as of September 30, 2012.

Included in Accounts Payable is approximately $30,000 due to a related party. The amount is attributable to business-related expenses incurred by the related party that are reimbursable by the Company.

NOTE 14 – CONCENTRATIONS

As of September 30, 2012, approximately 95 percent of trade receivables were from 3 customers. For the three months ended September 30, 2012 approximately 91 percent of sales revenue was from 5 customers. For the nine months ended September 30, 2012 approximately 72 percent of sales revenue was from 4 customers. Sales revenue for the three and nine months ended September 30, 2012 was predominantly from international markets.

NOTE 15 – RESTATEMENT AND IMMATERIAL CORRECTION OF AN ERROR

The beginning retained earnings additional-paid-in capital as of December 31, 2011 and was restated due to errors found by management related to the issuance of shares for services rendered. The restatement resulted in a decrease in the net loss for the three and twelve months ended December 31, 2011 of $12,600, a decrease in Additional Paid-in-Capital of $5,100 and a decrease in Accounts Payable and Accrued Expenses of $7,000. The restatement had no impact to the net loss for the three months and nine months ended September 30, 2012. There was also an immaterial correction made in the current quarter related to an error in the calculation of the fair value of the shares issued for service rendered with compensation expense of $15,000 for the three and six months ended June 30, 2012. The corrected fair value of the services rendered was $2,500, resulting in a reduction in Other General and Administrative Expenses on the accompanying statements of operations of $12,500 for the three and nine months ended September 30, 2012 and a reduction of Additional Paid-in-Capital of $12,500 as of September 30, 2012.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Unaudited financial statements for BioElectronics Corporation for the years ended December 31, 2012 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets
(Unaudited)

	December 31, 2012	(Restated) December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 20,965	$ 55,492
Trade and other receivables, net	69,314	185,823
Inventory	854,342	775,184
Prepaid expenses and other	-	50,000
Total current assets	944,621	1,066,499
Property and equipment	170,011	170,011
Less: Accumulated depreciation	(128,393)	(112,058)
Property and equipment, net	41,618	57,953
Total assets	$ 986,239	$ 1,124,452
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	557,609	314,990
Deferred revenue	26,550	-
Related party notes payable, current portion	2,430,890	2,120,427
Notes payable	-	100,537
Total current liabilities	3,015,049	2,535,954
Long-term liabilities:		
Related party notes payable, net of discount	3,971,043	3,565,811
Total liabilities	6,986,092	6,101,765
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 3,000,000,000 and 2,500,000,000 shares authorized at December 31, 2012 and December 31, 2011, respectively, and 2,666,347,359 and 1,950,681,871 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	2,666,348	1,950,682
Additional paid-in capital	11,288,377	10,614,063
Deficit accumulated during the development stage	(19,954,578)	(17,542,058)
Total stockholders' deficiency	(5,999,853)	(4,977,313)
Total liabilities and stockholders' deficiency	$ 986,239	$ 1,124,452

BioElectronics Corporation (A Development Stage Company)
Statements of Operations
For the Years Ended December 31, 2012 and 2011
and for the Period from April 10, 2000 (Inception) to December 31, 2012
(Unaudited)

	2012	2011	Period from April 10, 2000 (Inception) to December 31, 2012
Sales	$ 500,121	$ 1,176,285	$ 5,583,273
Cost of Goods Sold	272,637	509,238	2,611,932
Gross profit	227,484	667,047	2,971,341
General and Administrative Expenses:			
Bad Debt Expense	102,928	98,000	422,538
Depreciation and Amortization	16,334	17,686	146,319
Investor Relations Expenses	219,289	280,893	2,249,323
Legal and Accounting Expenses	224,629	338,870	1,985,265
Sales Support Expenses	386,705	812,523	3,328,549
Research and Development	140,200	-	140,200
Other General and Administrative Expenses	1,091,703	1,561,165	11,433,225
Total General and Administrative Expenses	2,181,788	3,109,137	19,705,419
Loss from Operations	(1,954,304)	(2,442,090)	(16,734,078)
Interest Expense and Other:			
Interest Expense	(458,216)	(410,570)	(3,301,487)
Other Income(Expenses)	-	-	80,987
Total Interest Expense and Other, Net	(458,216)	(410,570)	(3,220,500)
Loss Before Income Taxes	(2,412,520)	(2,852,660)	(19,954,578)
Provision for Income Tax Expense	-	-	-
Net loss	$ (2,412,520)	$ (2,852,660)	$ (19,954,578)
Net loss Per Share - Basic and Diluted	$ (0.0009)	$ (0.0017)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	2,584,800,466	1,715,629,288	N/A

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency (Unaudited)
For the Period from April 10, 2000 (Inception) to December 31, 2012

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at April 10, 2000 (Inception)	-	$ -	$ -	$ -	$ -
Net Loss	-	-	-	(34,124)	(34,124)
Contribution of assets	-	-	8,000	-	8,000
Issuance of common stock for services rendered	22,150,000	22,150	(8,000)	(13,150)	1,000
Balance at December 31, 2000	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2001	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	-	-
Balance at December 31, 2002	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss		-	-	(568,087)	(568,087)
Sale of common stock at $.03 per share	3,950,000	3,950	112,100	-	116,050
Sale of common stock at $.0496 per share	800,000	800	38,900	-	39,700
Sale of common stock at $.35 per share	40,000	40	13,960	-	14,000
Balance at December 31, 2003	26,940,000	26,940	164,960	(615,361)	(423,461)
Net loss		-	-	(792,799)	(792,799)
Common stock dividend	15,800,577	15,800	-	(15,800)	-
Issuance of common stock for services rendered	2,245,649	2,246	110,036	-	112,282
Sale of common stock at $.3540 per share	678,000	678	239,322	-	240,000
Sale of common stock at $.4286 per share	149,333	149	63,851	-	64,000
Sale of common stock at $.30 per share	83,333	83	24,917		25,000
Sale of common stock at $.01 per share	5,020,000	5,020	45,180	-	50,200
Balance at December 31, 2004	50,916,892	50,916	648,266	(1,423,960)	(724,778)
Net loss		-	-	(2,253,678)	(2,253,678)
Fair value of warrants issued in connection with financing arrangements			542,460		542,460
Issuance of convertible debt with beneficial conversion interest	-	-	422,324	-	422,324
Issuance of common stock for services rendered	2,128,000	2,128	205,043	-	207,171
Sale of common stock at $.30 per share	3,420,000	3,420	1,022,580	-	1,026,000
Sale of common stock at $.0833 per share	4,600,000	4,600	378,785	-	383,385
Sale of common stock at $.0959 per share	800,000	800	75,912	-	76,712
Sale of common stock at $.1475 per share	1,000,000	1,000	146,500	-	147,500
Balance at December 31, 2005	62,864,892	62,864	3,441,870	(3,677,638)	(152,904)
Net loss				(3,185,522)	(3,185,522)
Issuance of convertible debt with beneficial conversion interest			88,214		88,214
Issuance of common stock for services rendered	7,099,856	7,100	433,481	-	440,581
Fair value of warrants issued in connection with financing arrangements	-	-	182,913	-	182,913
Sale of common stock at $.1667 per share	240,000	240	39,760	-	40,000
Sale of common stock at $.10 per share	400,000	400	39,600	-	40,000
Issuance of common stock for conversion of debt	5,000,000	5,000	495,000		500,000
Stock based compensation expense	-	-	72,703	-	72,703
Balance at December 31, 2006	75,604,748	75,604	4,793,541	(6,843,160)	(1,974,015)
Net loss				(2,105,180)	(2,105,180)
Issuance of convertible debt with beneficial conversion interest			155,665		155,665
Issuance of common stock for services rendered	1,555,000	1,555	51,145	-	52,700
Sale of common stock at $.035 per share	6,000,000	6,000	204,000	-	210,000
Sale of common stock at $.04 per share	750,000	750	29,250	-	30,000
Sale of common stock at $.0444 per share	1,125,000	1,125	48,875	-	50,000
Issuance of common stock for conversion of debt	33,366,847	33,367	1,470,471	-	1,503,838
Balance at December 31, 2007	118,401,595	118,401	6,752,947	($8,948,340)	(2,076,992)
Net loss				(2,127,028)	(2,127,028)
Issuance of convertible debt with beneficial conversion interest			168,779		168,779
Issuance of common stock for services rendered	45,338,500	45,338	355,007	-	400,345
Sale of common stock at $.035 per share	2,000,000	2,000	68,000	-	70,000
Sale of common stock at $.0026 per share	8,500,000	8,500	14,000	-	22,500
Sale of common stock at $.005 per share	5,000,000	5,000	20,000	-	25,000
Sale of common stock at $.0032 per share	6,250,000	6,250	13,750	-	20,000
Sale of common stock at $.00351 per share	5,700,000	5,700	14,300	-	20,000
Sale of common stock at $.0035 per share	11,642,857	11,643	29,107	-	40,750
Issuance of common stock for conversion of debt	63,709,683	63,710	838,051	-	901,761
Balance at December 31, 2008	266,542,635	$ 266,542	$ 8,275,941	$ (11,075,368)	$ (2,534,885)

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency (Unaudited)
For the Period from April 10, 2000 (Inception) to December 31, 2012
(Continued)

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at December 31, 2008	266,542,635	$ 266,542	$ 8,273,941	$ (11,075,368)	$ (2,534,885)
Net loss				(634,091)	(634,091)
Issuance of convertible debt with beneficial conversion interest			6,000	-	6,000
Issuance of common stock for services rendered	149,051,667	149,052	93,845	-	242,897
Sale of common stock at $.0030 per share	9,000,000	9,000	18,000	-	27,000
Sale of common stock at $.0020 per share	15,000,000	15,000	15,000	-	30,000
Sale of common stock at $.0017 per share	11,500,000	11,500	8,500	-	20,000
Sale of common stock at $.0015 per share	16,666,667	16,667	8,334	-	25,001
Sale of common stock at $.0012 per share	55,500,000	55,500	11,100	-	66,600
Sale of common stock at $.0013 per share	16,750,000	16,750	4,850	-	21,600
Sale of common stock at $.02 per share	7,500,000	7,500	142,500	-	150,000
Sale of common stock at $.028 per share	5,357,142	5,357	144,643	-	150,000
Sale of common stock at $.0444 per share	2,250,000	2,250	97,750	-	100,000
Sale of common stock at $.05 per share	5,646,000	5,646	276,654	-	282,300
Issuance of common stock for conversion of debt	905,788,207	905,788	182,724	-	1,088,512
Issuance of common stock for warrant exercises	4,446,553	4,447	889	-	5,336
Balance at December 31, 2009	1,470,998,871	$ 1,470,999	$ 9,284,730	$ (11,709,459)	$ (953,730)
Net loss				(2,992,539)	(2,992,539)
Share-based compensation	9,950,000	9,950	326,768	-	336,718
Issuance of common stock for services rendered at $.002250 per share	3,200,000	3,200	4,000	-	7,200
Issuance of common stock for services rendered at $.00500 per share	2,500,000	2,500	10,000	-	12,500
Issuance of common stock for services rendered at $.005250 per share	5,000,000	5,000	21,250	-	26,250
Issuance of common stock for conversion of debt at $.0012 per share	55,000,000	55,000	11,000	-	66,000
Balance at December 31, 2010	1,546,648,871	$ 1,546,649	$ 9,657,748	$ (14,701,998)	$ (3,497,601)
Share-based compensation	-	-	222,815	-	222,815
Issuance of common stock for conversion of debt at $.0012 per share	80,000,000	80,000	16,000	-	96,000
Issuance of common stock for services rendered at $.0060 per share	1,800,000	1,800	9,000	-	10,800
Issuance of common stock for services rendered at $.0010 per share	12,150,000	12,150	-	-	12,150
Issuance of common stock for services rendered at $.0010 per share	83,000	$3	-	-	$3
Issuance of common stock for services rendered at $.0049 per share	5,000,000	5,000	19,500	-	24,500
Issuance of common stock for services rendered at $.00295 per share	20,000,000	20,000	39,000	-	59,000
Issuance of common stock for services rendered at $.00650 per share	20,000,000	20,000	110,000	-	130,000
Issuance of common stock for cash at $.00250 per share	10,000,000	10,000	15,000	-	25,000
Issuance of common stock for cash at $.009091 per share	5,500,000	5,500	44,500	-	50,000
Issuance of common stock for cash at $.00625 per share	8,000,000	8,000	42,000	-	50,000
Issuance of common stock for cash at $.00500 per share	10,000,000	10,000	40,000	-	50,000
Issuance of common stock for cash at $.00400 per share	12,500,000	12,500	37,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003704 per share	13,500,000	13,500	36,500	-	50,000
Issuance of common stock for cash at $.003226 per share	15,500,000	15,500	34,500	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002778 per share	18,000,000	18,000	32,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002500 per share	20,000,000	20,000	30,000	-	50,000
Issuance of common stock for cash at $.002273 per share	22,000,000	22,000	28,000	-	50,000
Issuance of common stock for cash at $.002000 per share	25,000,000	25,000	25,000	-	50,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Net loss				(2,840,060)	(2,840,060)
Balance at December 31, 2011 (As Restated)	1,950,681,871	$ 1,950,682	$ 10,614,063	$ (17,542,058)	$ (4,977,313)

BioElectronics Corporation (A Development Stage Company)
Statement of Changes in Stockholders' Deficiency (Unaudited)
For the Period from April 10, 2000 (Inception) to December 31, 2012
(Continued)

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at December 31, 2011 (As Restated)	1,950,681,871	$ 1,950,682	$ 10,614,063	$ (17,542,058)	$ (4,977,313)
Issuance of common Stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001500 per share	20,000,000	20,000	10,000	-	30,000
Issuance of common stock for cash at $.001200 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001200 per share	25,000,000	25,000	5,000	-	30,000
Issuance of common stock for cash at $.001000 per share	45,000,000	45,000	-	-	45,000
Issuance of common stock for cash at $.002000 per share	5,500,000	5,500	5,500	-	11,000
Issuance of common stock for services rendered at $.001000 per share	10,000,000	10,000	-	-	10,000
Issuance of common stock for cash at $.001943 per share	8,750,000	8,750	8,255	-	17,005
Issuance of common stock for services rendered at $.002500 per share	10,000,000	10,000	15,000	-	25,000
Issuance of common stock for services rendered at $.002500 per share	30,000,000	30,000	45,000	-	75,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000	-	10,000
Issuance of common stock for cash at $.002000 per share	5,000,000	5,000	5,000	-	10,000
Issuance of common stock for conversion of debt at $.001709 per share	91,808,086	91,808	65,096	-	156,904
Issuance of common stock for conversion of debt at $.001979 per share	57,618,000	57,618	56,391	-	114,009
Issuance of common stock for conversion of debt at $.001979 per share	57,618,000	57,618	56,391	-	114,009
Issuance of common stock for cash at $.001500 per share	33,333,334	33,334	16,667	-	50,001
Issuance of common stock for cash at $.001000 per share	15,000,000	15,000	-	-	15,000
Issuance of common stock for services rendered at $.002500 per share	1,000,000	1,000	1,500	-	2,500
Issuance of common stock for conversion of debt at $.002000 per share	71,139,000	71,139	71,139	-	142,278
Issuance of common stock for cash at $.001360 per share	25,000,000	25,000	9,000	-	34,000
Issuance of common stock for cash at $.002000 per share	25,000,000	25,000	25,000	-	50,000
Issuance of common stock for cash at $.002083 per share	12,000,000	12,000	13,000	-	25,000
Issuance of common stock for cash at $.001786 per share	28,000,000	28,000	22,000	-	50,000
Issuance of common stock for cash at $.001786 per share	28,000,000	28,000	22,000	-	50,000
Issuance of common stock for cash at $.001667 per share	30,000,000	30,000	20,000	-	50,000
Compensation expense for nonvested share awards			127,459	-	127,459
Issuance of convertible debt with beneficial conversion interest			33,905	-	33,905
Issuance of common stock for services rendered at $.00200 per share	5,000,000	5,000	5,000		10,000
Issuance of common stock for conversion of debt at $.00200 per share	5,899,068	5,899	6,011		11,910
Net loss				(2,412,520)	(2,412,520)
Balance at December 31, 2012	2,666,347,359	$ 2,666,348	$ 11,288,377	$ (19,954,578)	$ (5,999,853)

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011
and for the Period from April 10, 2000 (Inception) to December 31, 2012
(Unaudited)

	2012	2011	April 10, 2000 (Inception) to December 31, 2012
Cash Flows From Operating Activities:			
Net Loss	$ (2,412,520)	$ (2,852,660)	(19,954,578)
Adjustment to Reconcile Net Loss to			
Net Cash Used in Operating Activities:			
Depreciation and amortization	16,334	17,186	145,819
Provision for bad debts	102,928	98,000	516,425
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	44,718	25,317	828,050
Non-cash expenses	-	-	1,503,499
Share-based compensation expense	249,959	471,948	1,102,028
Non-cash interest related to notes payable	-	-	592,418
Non-cash interest related to related party notes payable	438,480	385,087	1,097,448
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	244,022	52,122	949,840
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	13,581	(98,853)	(224,781)
Inventory	(71,289)	197,162	($54,342)
Due from related party	-	-	-
Prepaid expenses and other	42,151	71,955	-
			-
Increase (Decrease) in:			-
Accounts payable and accrued expenses	194,196	28,449	557,609
Accrued expenses	-		-
Cash overdraft	-	-	-
Deferred revenue	26,550	(213,315)	26,550
Net Cash Used In Operating Activities	(1,110,910)	(1,817,602)	(12,817,247)
Cash Flows Used In Investing Activities			
Acquisition of property and equipment	-	-	(211,564)
			-
Cash Flows From Financing Activities			-
Proceeds from note payable	-	-	1,090,148
Payments on note payable	(52,114)	(22,295)	(627,142)
Proceeds from related party notes payable	561,490	1,064,000	8,470,304
Proceeds from financing of receivables with related party	-	-	116,978
Payments on related party notes payable	-	-	-
Proceeds from shareholder loans	-	-	-
Payments for financing of receivables with related party	-	-	(974,805)
Proceeds from issuance of common stock	567,007	805,000	4,984,278
Other	-	-	(9,987)
Net Cash Provided By Financing Activities	1,076,383	1,846,705	13,049,776
Net Increase (Decrease) In Cash	(34,527)	29,103	20,965
Cash- Beginning of Period	55,492	26,389	-
Cash- End of Period	$ 20,965	$ 55,492	$ 20,965
Supplemental Disclosures Of Cash Flow Information:			-
Cash paid during the periods for:			
Interest	$ -	$ -	$ 66,632
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 539,109	$ 96,000	$ 4,395,654
Issuance of convertible debt with beneficial conversion interest	$ 33,905	$ -	$ 874,887
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
See Accountants' Compilation Report
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™ and RecoveryRx™.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
    - Back Pain Therapy packaged with a wrap
    - Multi-Use Therapy packaged with 60 adhesives
    - Knee Pain Therapy packaged with a wrap
    - Wrist and Elbow Pain Therapy packaged with a wrap
    - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
    - Post-operative and chronic wound care
    - Post-operative and chronic wound care
- Providing 720 hours of musculoskeletal therapy or ninety (90) overnight treatments for $19.95 retail, or $0.25 each.
- Providing 5 days of profound menstrual pain and discomfort relief for $9.95
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $103,009 and $128,000 at December 31, 2012 and December 31, 2011, respectively. Bad debt expense for the years ended December 31, 2012 and 2011 was $102,928 and $98,000, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the years ended December 31, 2012 and 2011. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast, including infomercials. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the years ended December 31, 2012 and 2011 were $31,736 and $53,742, respectively, and included

in the other general and administrative expenses. There was no value recorded to prepaid advertising as of December 31, 2012 and 2011, and the total amount amortization expense for prepaid advertising amounted to $-0- and $46,450 for the years ended December 31, 2012 and 2011, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development cost represent the costs of clinical studies, which are expensed as incurred. The Company incurred $140,200 and $-0- in the years ended December 31, 2012 and 2011, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by divinding net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the years ended December 31, 2012 and 2011 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented as the shares are anti-dilutive.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 (November 2010), 2,000,000,000 in 2011, and finally to 3,000,000,000 in 2012. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity, and the vesting of nonvested share awards. The

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

During 2011, the Company raised $805,000 of financing through the issuance of 265,000,000 shares of Common Stock, in tranches ranging from 8,000,000 to 25,000,000 shares. The Company also issued 59,033,000 shares of Common Stock for services rendered in 2011, and 80,000,000 shares issued in 2011 due to conversion of debt.

During 2012, the Company raised $567,006 of financing through the issuance of 375,583,334 shares of Common Stock, in tranches ranging from 5,000,000 to 45,000,000 shares. The Company also issued 56,000,000 shares of Common Stock for services rendered in 2012, and 284,082,154 shares issued in 2012 due to the conversion of debt.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,412,520 for the year ended December 31, 2012. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	December 31, 2012	December 31, 2011
Raw materials	$ 574,469	$ 411,232
Prepaid inventory	20,117	52,366
Finished goods	259,756	311,586
	$ 854,342	$ 775,184

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	December 31, 2012	December 31, 2011
Machinery & Equipment	$ 163,129	$ 163,129
Leasehold improvements	6,882	6,882
	170,011	170,011
Less: accumulated depreciation	128,393	112,058
Total property and equipment, net	$ 41,618	$ 57,953

For the years ended December 31, 2012 and 2011, depreciation expense on property and equipment amounted to $16,334 and $17,686, respectively.

NOTE 6 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the year ended December 31, 2011, IBEX converted $96,000 of the Revolver's outstanding balance and received 80,000,000 shares of the Company's common stock at a conversion price of $0.0012 per share. There were no debt conversions for the year ended December 31, 2012.

The balance of the Revolver as of December 31, 2012 and 2011 was $1,287,511 and $1,200,727, respectively, net of unamortized discount from beneficial conversion feature of $38,436 and $57,654, respectively.

Amortization of the discount included in interest expense for the years ended December 31, 2012 and 2011 was $19,216 and 25,317, respectively, and $802,545 for the period from April 10, 2000 (Inception) through December 31, 2012. Future amortization of the discount will be approximately $19,218 per year through December 31, 2014, unless all or part of the outstanding Revolver balance is extinguished prior to January 1, 2015.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance (e.g. August 31, 2011), whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the

NOTE 6 – RELATED PARTY NOTES PAYABLE (Continued)

Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to August 31, 2013.

Starting in 2012 and continuing through March 2013, the Company extended the maturity dates by one year on 23 separate notes, totaling $1,944,333, through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 787,650,788 at December 31, 2011 to 1,630,805,314 shares of Common Stock.

During the years ended December 31, 2012 and 2011, the Company borrowed $237,000 and $570,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the years ended December 31, 2012 and 2011 was $335,005 and $218,224, respectively.

At the option of the note holder, the promissory notes are convertible into shares of Common Stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal balance and interest accrued, divided by (ii) the conversion price indicated on the following page:

NOTE 6 – RELATED PARTY NOTES PAYABLE (Continued)

Issuance Date	Maturity Date	Interest Rate	Amounts Available for Conversion			Conversion Price/Share	Shares to be Issued
			Principal	Interest	Total		
8/1/2009	8/31/2013	8.00%	$ 519,920	$ 157,020	$ 676,940	$ 0.0015	451,293,333
2/9/2010	2/28/2014	8.00%	135,000	31,396	166,396	0.0100	16,639,600
3/31/2010	3/31/2014	8.00%	310,000	72,094	382,094	0.0100	38,209,400
4/15/2010	4/30/2014	8.00%	20,000	4,651	24,651	0.0020	12,325,500
5/5/2010	5/31/2014	8.00%	120,000	27,907	147,907	0.0020	73,953,500
5/14/2010	5/31/2014	8.00%	100,000	23,256	123,256	0.0020	61,628,000
6/22/2010	6/30/2014	8.00%	130,000	30,233	160,233	0.0020	80,116,500
7/23/2010	9/30/2013	8.00%	100,000	20,909	120,909	0.0012	100,757,500
9/7/2010	9/30/2013	8.00%	50,000	9,866	59,866	0.0012	49,888,333
9/14/2010	9/30/2013	8.00%	185,000	36,172	221,172	0.0012	184,310,000
9/30/2010	10/31/2013	8.00%	50,000	9,572	59,572	0.0020	29,786,000
10/4/2010	10/31/2013	8.00%	50,000	9,520	59,520	0.0020	29,760,000
10/8/2010	11/30/2013	8.00%	50,000	9,469	59,469	0.0020	29,734,500
11/4/2010	11/30/2013	8.00%	40,000	7,299	47,299	0.0020	23,649,500
11/15/2010	12/31/2013	8.00%	100,000	17,966	117,966	0.0012	98,305,000
12/7/2010	12/31/2013	8.00%	78,333	13,652	91,985	0.0012	76,654,167
12/16/2010	12/31/2013	8.00%	30,000	5,152	35,152	0.0012	29,293,333
12/30/2010	1/31/2014	8.00%	40,000	6,725	46,725	0.0026	17,971,154
1/26/2011	1/31/2014	8.00%	50,000	8,168	58,168	0.0026	22,372,308
1/31/2011	2/28/2014	8.00%	40,000	6,484	46,484	0.0026	17,878,462
2/2/2011	2/28/2014	8.00%	125,000	20,200	145,200	0.0026	55,846,154
2/14/2011	3/31/2014	8.00%	62,000	9,832	71,832	0.0026	27,627,692
3/7/2011	3/31/2014	8.00%	42,000	6,439	48,439	0.0026	18,630,385
3/23/2011	3/31/2014	8.00%	37,000	5,523	42,523	0.0026	16,355,000
4/11/2011	4/31/2013	8.00%	50,000	7,215	57,215	0.0045	12,714,444
4/14/2011	4/31/2013	8.00%	30,000	4,307	34,307	0.0045	7,623,778
6/30/2011	6/30/2013	8.00%	35,000	4,360	39,360	0.0029	13,572,414
6/30/2011	6/30/2013	8.00%	10,000	1,246	11,246	0.0029	3,877,931
7/19/2011	7/31/2013	8.00%	6,000	719	6,719	0.0028	2,399,643
7/28/2011	7/31/2013	8.00%	60,000	7,055	67,055	0.0028	23,948,214
8/15/2011	8/31/2013	8.00%	18,000	2,116	20,116	0.0070	2,873,714
8/17/2011	8/31/2013	8.00%	5,000	588	5,588	0.0069	809,855
6/15/2012	6/30/2014	8.00%	68,500	3,056	71,556	0.0026	27,521,538
9/30/2012	9/30/2014	8.00%	133,500	5,468	138,968	0.0012	115,806,667
12/14/2012	12/31/2014	8.00%	35,000	138	35,138	0.0012	29,281,667
			2,915,253	585,773	3,501,026		1,803,415,186

NOTE 6 – RELATED PARTY NOTES PAYABLE (Continued)

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company. Richard Staelin is a member of the Board of Directors and Chairman of the Board.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price indicated in the following table.

The following table is a schedule of the individual promissory notes issuance date, maturity date, principal balance, accrued interest, and number of shares which the debt can be converted to as of December 31, 2012:

Issuance Date	Maturity Date	Principal Balance	Amounts Convertible			Conversion Price/Share	Shares to be Issued
			Principal	Interest	Total		
11/29/2010	11/30/2013	100,000	64,712	16,856	81,568	0.0020	40,784,000
12/7/2010	12/31/2013	87,760	87,760	15,791	103,551	0.0012	86,292,500
12/9/2010	12/31/2013	78,333	78,333	14,068	92,401	0.0012	77,000,833
12/31/2010	12/31/2013	52,095	52,095	8,681	60,776	0.0012	50,646,667
12/31/2010	12/31/2013	25,274	25,274	4,396	29,670	0.0012	24,725,000
1/5/2011	1/31/2014	100,000	100,000	17,267	117,267	0.0026	45,102,692
1/11/2011	1/31/2014	121,000	121,000	20,709	141,709	0.0026	54,503,462
3/31/2011	3/31/2014	33,000	33,000	4,982	37,982	0.0026	14,608,462
3/31/2011	3/31/2014	52,122	52,122	7,869	59,991	0.0026	23,073,462
4/20/2011	4/30/2013	100,000	100,000	14,603	114,603	0.0028	40,929,643
6/2/2011	6/30/2013	25,000	25,000	3,385	28,385	0.0027	10,512,963
6/9/2011	6/30/2013	30,000	30,000	4,032	34,032	0.0039	8,726,154
6/15/2011	6/30/2013	10,000	10,000	1,322	11,322	0.0034	3,330,000
7/14/2011	7/31/2013	75,000	75,000	9,459	84,459	0.0029	29,123,793
1/12/2012	1/31/2014	40,000	40,000	3,223	43,223	0.0014	30,873,571
4/30/2012	4/30/2014	5,000	5,000	272	5,272	0.0016	3,295,000
5/31/2012	5/31/2014	25,000	25,000	1,186	26,186	0.0016	16,366,250
6/27/2012	11/30/2013	25,000	25,000	4,683	29,683	0.0020	14,841,500
6/30/2012	6/30/2014	133,453	133,453	5,618	139,071	0.0020	69,535,500
6/30/2012	6/30/2014	50,961	50,961	2,144	53,105	0.0020	26,552,500
7/3/2012	7/31/2014	20,000	20,000	810	20,810	0.0020	10,405,000
7/6/2012	7/31/2014	4,000	4,000	159	4,159	0.0020	2,079,500
7/11/2012	7/31/2014	50,000	50,000	1,936	51,936	0.0020	25,968,000
7/20/2012	7/31/2014	12,000	12,000	441	12,441	0.0020	6,220,500
7/31/2012	7/31/2014	5,000	5,000	171	5,171	0.0020	2,585,500
8/14/2012	8/31/2014	10,000	10,000	311	10,311	0.0020	5,155,500
9/30/2012	9/30/2014	59,607	59,607	1,215	60,822	0.0012	50,685,000
12/31/2012	12/31/2014	153,490	153,490	-	153,490	0.0026	59,034,615
		$ 1,483,095	$ 1,447,807	$ 165,589	$ 1,613,396		832,957,567

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

NOTE 6 – RELATED PARTY NOTES PAYABLE (Continued)

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. During the year ended December 31, 2012, $527,200 worth of debt was converted into 278,183,086 shares of $.001 par value common stock at an average conversion price of $0.0019 per share.

During the years ended December 31, 2012 and 2011, the Company borrowed $593,511 and $570,000, respectively, through additional promissory notes with other related parties.

During 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 per share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was $33,905 upon conversion.

Future minimum principal payments for the notes payable, IBEX Revolver, IBEX Notes and other related party loans are as follows, as of December 31, 2012:

2013	$	2,430,890
2014		2,683,532
2015		1,287,511
	$	6,401,933

NOTE 7 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Year Ended December 31,	
	2012	2011
Common Stock:		
Weighted Average Number of Shares Outstanding - Basic	2,384,800,466	1,715,629,288
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	2,384,800,466	1,715,629,288
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	15,153,724	11,333,334
Options to Purchase Common Stock	26,399,293	-
Warrants to Purchase Common Stock	-	-
	41,553,017	11,333,334

NOTE 8 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

NOTE 8 – SHARE BASED COMPENSATION (Continued)

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant under the Plan. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

Below is a summary table of the options granted and the weighted-average grant date fair value during the year ended December 31, 2012:

Stock options	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	24,000,000	$ 0.0050
Granted	55,000,000	0.0029
Vested	(8,000,000)	0.0050
Forfeited	-	-
Balance at December 31, 2012	71,000,000	$ 0.0034

Compensation expense related to the stock options during the years ended December 31, 2012 and 2011 was $12,583 and $23,158, respectively.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 4.92 year weighted-average period is approximately $238,870.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

NOTE 8 – SHARE BASED COMPENSATION (Continued)

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

A summary of the status of the Company's nonvested shares granted to employees as of December 31, 2012, and changes during the year ended December 31, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	11,333,334	$ 0.0107
Granted	-	-
Vested	(5,333,334)	0.0110
Forfeited	-	-
Balance at December 31, 2012	6,000,000	$ 0.0104

Total compensation cost related to the restricted stock awards granted to employees was $15,134 and $104,556 for the years ended December 31, 2012 and 2011, respectively.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to employees that the Company will have to recognize over a 1.1 year weighted-average period is approximately $39,000.

A summary of the status of the Company's nonvested shares granted to Non-employees as of December 31, 2012, and changes during the year ended December 31, 2012, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2011	10,133,333	$ 0.0181
Granted	-	-
Vested	(5,066,667)	0.0181
Forfeited	(833,333)	0.0181
Balance at December 31, 2012	4,233,333	$ 0.0181

Total compensation cost related to the restricted stock awards granted to Non-employees was $19,157 and $91,700 for the years ended December 31, 2012 and 2011, respectively.

The maximum amount of compensation cost related to unvested equity-based compensation awards in the form of service-based restricted shares to Non-employees that the Company will have to recognize over a .5 year weighted-average period is approximately $32,000.

Common Stock Issued For Services Rendered

On May 18, 2012 the Company issued 10,000,000 shares of common stock for services rendered valued at $10,000, which was recorded as a part of Investor Relations expense in the accompanying Statement of Operations for the year ended December 31, 2012. These shares were valued at $0.001 per share, which represents the fair value of the services rendered.

NOTE 8 – SHARE BASED COMPENSATION (Continued)

On June 5, 2012 the Company issued 40,000,000 shares of common stock for services rendered valued at $100,000, which was recorded as a part of Other General and Administrative expense in the accompanying Statement of Operations for the year ended December 31, 2012. These shares were valued at $0.0025 per share, which represents the fair value of the services rendered.

On June 22, 2012, the Company issued 1,000,000 shares of common stock for services rendered valued at $2,500, which was recorded as a part of Other General and Administrative expense in the accompanying Statement of Operations for the year ended December 31, 2012. These shares were valued at $0.0025 per share, which represents the fair value of the services rendered.

On November 21, 2012, the Company issued 5,000,000 shares of common stock for services rendered valued at $10,000, which was recorded as a part of Other General and Administrative expense in the accompanying Statement of Operations for the year ended December 31, 2012. These shares were valued at $0.0020 per share, which represents the fair value of the services rendered.

NOTE 9 – INCOME TAXES

The Company has not provided for income tax expense for the year ended December 31, 2012 because of a significant net operating loss carry-forward of approximately $15.9 million. The net operating losses expire in various years through 2031.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of December 31, 2012 and 2011, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 10 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The approximate future minimum lease payments as of December 31, 2012: 2013 - $2,800, and 2014 - $900, respectively.

The amount of rental expenses were $92,952 and $83,398 for the years ended December 31, 2012 and 2011, respectively.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 12 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 6, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the years ended December 31, 2012 and 2011 amounted to $2,431 and $237,827, respectively. The balance due from eMarkets as of December 31, 2012 and 2011 was $$842 and $24,512, respectively.

NOTE 13 – CONCENTRATIONS

As of December 31, 2012, approximately 98 percent of trade receivables was from 3 customers. For the year ended December 31, 2012 approximately 54 percent of sales revenue was from 5 customers, with one customer accounting for 41 percent.

As of December 31, 2012, approximately 57 percent of accounts payable was to five vendors. For the year ended December 31, 2012, approximately 73 percent of purchases was from four vendors.

NOTE 14 – RESTATEMENT AND IMMATERIAL CORRECTION OF AN ERROR

The beginning Balance Sheet as of December 31, 2011 was restated due to errors found by management related to the issuance of shares for services rendered. The restatement resulted in a decrease in Common Stock of $12,600 and a corresponding decrease in the Deficit accumulated during the development stage.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Unaudited financial statements for BioElectronics Corporation for the years ended December 31, 2013 and 2012 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets
(Unaudited)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 28,603	$ 20,965
Trade and other receivables, net	120,315	$ 69,314
Inventory	716,903	$ 854,342
Prepaid expenses and other	-	$ -
Total current assets	865,821	944,621
Property and equipment	170,011	$ 170,011
Less: Accumulated depreciation	(144,956)	$ (128,393)
Property and equipment, net	25,055	41,618
Total assets	$ 890,876	$ 986,239
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	681,567	$ 557,609
Deferred revenue	124,036	$ 26,550
Related party notes payable, current portion	1,502,459	$ 2,430,890
Ex-Im Bank Financing	500,000	$ -
Total current liabilities	2,808,062	3,015,049
Long-term liabilities:		
Related party notes payable, net of discount	5,623,531	$ 3,971,043
Total liabilities	8,431,593	6,986,092
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 4,000,000,000 and 3,000,000,000 shares authorized at December 31, 2013 and December 31, 2012, respectively, and 3,859,893,093 and 2,666,347,359 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	3,859,893	$ 2,666,348
Additional paid-in capital	10,999,588	$ 11,288,377
Deficit accumulated during the development stage	(22,400,198)	$ (19,954,578)
Total stockholders' deficiency	(7,540,717)	(5,999,853)
Total liabilities and stockholders' deficiency	$ 890,876	$ 986,239

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Years Ended December 31, 2013 and 2012
and for the Period from April 10, 2000 (Inception) to December 31, 2013
(Unaudited)

	2013	2012	Period from April 10, 2000 (Inception) to December 31, 2013
Sales	$ 665,510	$ 500,121	6,248,783
Cost of Goods Sold	430,724	272,637	3,042,656
Gross profit	234,786	227,484	3,206,127
General and Administrative Expenses:			
Bad Debt Expense	12,633	102,928	435,171
Depreciation and Amortization	16,563	16,334	162,882
Investor Relations Expenses	36,697	219,289	2,286,020
Legal and Accounting Expenses	88,138	224,629	2,073,403
Sales Support Expenses	699,191	386,705	4,027,740
Research and Development	216,665	140,200	356,865
Other General and Administrative Expenses	1,098,427	1,091,703	12,531,652
Total General and Administrative Expenses	2,168,314	2,181,788	21,873,733
Loss from Operations	(1,933,528)	(1,954,304)	(18,667,606)
Interest Expense and Other:			
Interest Expense	(637,170)	(458,216)	(3,938,657)
Other Income(Expenses)	125,078	-	206,065
Total Interest Expense and Other, Net	(512,092)	(458,216)	(3,732,592)
Loss Before Income Taxes	(2,445,620)	(2,412,520)	(22,400,198)
Provision for Income Tax Expense	-	-	-
Net loss	$ (2,445,620)	$ (2,412,520)	$ (22,400,198)
Net loss Per Share - Basic and Diluted	$ (0.0007)	$ (0.0009)	
Weighted Average Number of Shares Outstanding - Basic and Diluted	3,263,120,226	2,384,800,466	

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012
and for the Period from April 10, 2000 (Inception) to December 31, 2013
(Unaudited)

	2013	2012	April 10, 2000 (Inception) to December 31, 2013
Cash Flows From Operating Activities:			
Net Loss	$ (2,445,620)	$ (2,412,520)	(22,400,198)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Depreciation and amortization	16,563	16,334	162,382
Provision for bad debts	12,633	102,928	529,058
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	-	44,718	828,050
Non-cash expenses	-	-	1,503,499
Share-based compensation expense	52,085	249,959	1,154,113
Non-cash interest related to notes payable	3,150	-	595,568
Non-cash interest related to related party notes payable	466,755	438,480	1,564,203
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	244,022	949,840
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities:			
Trade and other receivables	(63,634)	13,581	(288,415)
Trade receivables assigned to related party	-		-
Inventory	137,439	(71,289)	(716,903)
Due from related party	-	-	-
Prepaid expenses and other	-	42,131	-
Accounts payable and accrued expenses	123,958	194,196	681,567
Deferred revenue	97,486	26,550	124,036
Net Cash Used In Operating Activities	(1,599,185)	(1,110,910)	(14,416,432)
Cash Flows Used In Investing Activities			
Acquisition of property and equipment	-	-	(211,564)
Cash Flows From Financing Activities			
Proceeds from note payable	496,850	-	1,586,998
Payments on note payable	-	(52,114)	(627,142)
Proceeds from related party notes payable	1,109,973	561,490	9,580,277
Proceeds from financing of receivables with related party	-	-	116,978
Payments for financing of receivables with related party	-	-	(974,803)
Proceeds from issuance of common stock	-	567,007	4,984,278
Other	-	-	(9,987)
Net Cash Provided By Financing Activities	1,606,823	1,076,383	14,656,599
Net Increase (Decrease) In Cash	7,638	(34,527)	28,603
Cash- Beginning of Period	20,965	55,492	-
Cash- End of Period	$ 28,603	$ 20,965	$ 28,603
Supplemental Disclosures Of Cash Flow Information:			
Cash paid during the periods for interest	$ 11,432	$ -	$ 78,064
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 870,665	$ 539,109	$ 5,266,319
Issuance of convertible debt with beneficial conversion interest	$ -	$ 33,905	$ 874,887
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
See Accountants' Compilation Report
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™,RecoveryRx™ and HealFast®.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
    - Back Pain Therapy packaged with a wrap
    - Multi-Use Therapy packaged with 60 adhesives
    - Knee Pain Therapy packaged with a wrap
    - Wrist and Elbow Pain Therapy packaged with a wrap
    - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
    - Post-operative and chronic wound care
    - Post-operative and chronic wound care
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $11,972 and $103,009 at December 31, 2013 and December 31, 2012, respectively. Bad debt expense for the years ended December 31, 2013 and 2012 was $12,633 and $102,928, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the years ended December 31, 2013 and 2012. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the years ended December 31, 2013 and 2012 were $140,128 and $31,736, respectively, and included

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in sales support expenses. There was no value recorded to prepaid advertising as of December 31, 2013 and 2012, and no value recorded to amortization expense for prepaid advertising for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred. The Company incurred $184,665 and $140,200 in the years ended December 31, 2013 and 2012, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the years ended December 31, 2013 and 2012 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 (November 2010), 2,000,000,000 in 2011, to 3,000,000,000 in 2012, and to 4,000,000 in 2013. These increases are a result of the continued requirement to

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cover the potential issuance of common stock resulting from the conversion of debt to equity, and the vesting of nonvested share awards. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,445,620 for the year ended December 31, 2013, and a total net loss since inception of $22,400,198. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	December 31, 2013	December 31, 2012
Raw materials	$ 404,292	$ 574,469
Prepaid inventory	60,145	20,117
Finished goods	252,466	259,756
	$ 716,903	$ 854,342

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	December 31, 2013	December 31, 2012
Machinery & Equipment	$ 163,129	$ 163,129
Leasehold improvements	6,882	6,882
	170,011	170,011
Less: accumulated depreciation	144,956	128,393
Total property and equipment, net	$ 25,055	$ 41,618

For the years ended December 31, 2013 and 2012, depreciation expense on property and equipment amounted to $16,563 and $16,334, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit is for $500,000 at a fixed interest rate of 3.99%, with the amount borrowed owed in full in May 2014. As of December 2013, the full line of credit of $500,000 was utilized with the full amount payable. Total interest expense on the line of credit amounted to $8,873 in 2013.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the

Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the year ended December 31, 2013, IBEX sold $634,013 of the Revolver's outstanding balance to external parties, who subsequently converted these notes into 1,121,562,701 shares at conversion prices ranging from $.00025 to $.0021 per share. There were no debt conversions for the year ended December 31, 2012.

The balance of the Revolver as of December 31, 2013 and 2012 was $745,417 and $1,287,511, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

Starting in 2012 and continuing through December 2013, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 1,803,415,186 at December 31, 2012 to 9,863,573,500 at December 31, 2013..

During the years ended December 31, 2013 and 2012, the Company borrowed $704,000 and $237,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the years ended December 31, 2013 and 2012 was $362,824 and $335,005, respectively.

The IBEX notes payable are summarized as follows:

Issuance Date Ranges	Maturity Date	Average Interest Rate	Total Value of Notes Payable			Average Conversion Price/Share	Convertible Shares
			Principal	Interest	Total		
5/10 - 12/12	2014	8.0%	$ 657,000	$ 165,129	$ 822,129	$ 0.0016	499,502,834
8/09 - 12/13	2015	8.0%	2,186,311	443,982	2,630,293	$ 0.0006	4,363,419,167
2/10 - 3/11	2016	8.0%	599,000	211,659	810,659	$ 0.0002	5,000,653,333
			$ 3,442,311	$ 820,770	$ 4,263,081	$ 0.0004	9,863,575,334

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Other related party notes payable are summarized as follows:

Issuance Date Ranges	Maturity Dates	Average Interest Rate	Total Value of Notes Payable			Average Conversion Price/Share	Convertible Shares	Lender
			Principal	Interest	Total			
11/10 - 12/13	6/13 - 3/16	8.0%	$ 1,412,501	$ 253,797	$ 1,666,298	$ 0.00125	1,331,963,774	President
11/10 - 9/13	11/13 - 9/15	8.0%	294,586	31,295	325,881	0.00055	593,378,357	Board Chairman
12/10 - 9/13	12/13 - 9/15	8.0%	106,893	18,422	125,315	0.00097	128,922,250	Other Related Parties
		8.0%	$ 1,813,980	$ 303,514	$ 2,117,494	$ 0.0010	2,054,264,381	

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. There were no related party loan conversions in 2013. During the year ended December 31, 2012, $527,200 worth of debt was converted into 278,183,086 shares of $.001 par value common stock at an average conversion price of $0.0019 per share.

During the years ended December 31, 2013 and 2012, the Company borrowed $191,253 and $593,511, respectively, through additional promissory notes with other related parties.

During 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 per share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was $33,905 upon conversion.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Year Ended December 31,	
Common Stock:	2013	2012
Weighted Average Number of Shares Outstanding - Basic	3,263,120,226	2,384,800,466
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	3,263,120,226	2,384,800,466
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	10,233,333	15,153,724
Options to Purchase Common Stock	333,700,000	26,399,293
	343,933,333	41,553,017

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013 under the Plan. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards

NOTE 9 – SHARE BASED COMPENSATION (Continued)

were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

Stock options	Shares	Weighted-average grant date fair value
Balance at December 31, 2012	158,700,000	0.01056
Granted	175,000,000	0.00110
Vested	-	-
Forfeited	-	-
Balance at December 31, 2013	333,700,000	0.00559

Compensation expense related to the stock options during the years ended December 31, 2013 and 2012 was $29,853 and $12,583, respectively.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

A summary of the status of the Company's nonvested shares granted to employees as of December 31, 2013, and changes during the year ended December 31, 2013, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2012	6,000,000	$ 0.0104
Granted	-	-
Vested	-	-
Forfeited	-	-
Balance at December 31, 2013	6,000,000	$ 0.0104

Total compensation cost related to the restricted stock awards granted to employees was $0 and $15,134 for the years ended December 31, 2013 and 2012, respectively.

A summary of the status of the Company's nonvested shares granted to Non-employees as of December 31, 2013, and changes during the year ended December 31, 2013, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2012	4,233,333	$ 0.0181
Granted	-	-
Vested	-	-
Forfeited	-	-
Balance at December 31, 2013	4,233,333	$ 0.0181

Total compensation cost related to the restricted stock awards granted to Non-employees was $0 and $19,157 for the years ended December 31, 2013 and 2012, respectively.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the year ended December 31, 2013 because of a significant net operating loss carry-forward of approximately $21 million. The net operating losses expire in various years through 2031.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of December 31, 2013 and 2012, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The approximate future minimum lease payments as of December 31, 2012 amounted to $3,700 ($2,800 in 2013 and $900 in 2014) and as of December 31, 2013 amounted to $900, due in 2014.

The amount of rental expenses was $92,449 and $92,952 for the years ended December 31, 2013 and 2012, respectively.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the years ended December 31, 2013 and 2012 amounted to $4,820 and $2,431, respectively. The balance due from eMarkets as of December 31, 2013 and 2012 was $0 and $842, respectively.

NOTE 14 – CONCENTRATIONS

As of December 31, 2013, approximately 82 percent of trade receivables was from 3 customers. For the year ended December 31, 2013 approximately 66 percent of sales revenue was from 7 customers, with one customer accounting for 21 percent.

As of December 31, 2013, approximately 63 percent of accounts payable was for 8 vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

Unaudited financial statements for BioElectronics Corporation for the three months ended March 31, 2014 and 2013 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets
(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 63,502	$ 28,603
Trade and other receivables, net	123,906	$ 120,315
Inventory	721,706	$ 716,903
Prepaid expenses and other	-	$ -
Total current assets	909,114	865,821
Property and equipment	170,011	$ 170,011
Less: Accumulated depreciation	(148,781)	$ (144,956)
Property and equipment, net	21,230	25,055
Total assets	$ 930,344	$ 890,876
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	514,373	$ 681,567
Deferred revenue	56,577	$ 124,036
Related party notes payable, current portion	1,428,234	$ 1,502,459
Ex-Im Bank Financing	500,000	$ 500,000
Total current liabilities	2,499,184	2,808,062
Long-term liabilities:		
Related party notes payable, net of discount	5,830,603	$ 5,623,531
Total liabilities	8,329,787	8,431,593
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 6,000,000,000 and 4,000,000,000 shares authorized at March 31, 2014 and December 31, 2013, respectively, and 5,290,837,411 and 3,859,893,093 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	5,290,838	$ 3,859,893
Additional paid-in capital	10,324,368	$ 10,999,588
Deficit accumulated during the development stage	(23,014,649)	$ (22,400,198)
Total stockholders' deficiency	(7,399,443)	(7,540,717)
Total liabilities and stockholders' deficiency	$ 930,344	$ 890,876

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Three Months Ended March 31, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to March 31, 2014
(Unaudited)

	March 31, 2014	March 31, 2013	Period from April 10, 2000 (Inception) to March 31, 2014
Sales	$ 169,584	$ 112,888	$ 6,418,367
Cost of Goods Sold	85,740	69,544	3,128,396
Gross profit	83,844	43,344	3,289,971
General and Administrative Expenses:			
Bad Debt Expense	139	4,767	435,310
Depreciation and Amortization	3,825	4,169	166,707
Investor Relations Expenses	32,900	-	2,318,920
Legal and Accounting Expenses	12,669	39,762	2,086,072
Sales Support Expenses	131,324	63,072	4,159,064
Research and Development	39,225	-	396,090
Other General and Administrative Expenses	336,557	330,026	12,868,209
Total General and Administrative Expenses	556,639	441,796	22,430,372
Loss from Operations	(472,795)	(398,452)	(19,140,401)
Interest Expense and Other, Net:			
Other Income(Expense)	489	120,000	206,554
Interest Expense	(142,145)	(121,707)	(4,080,802)
Total Interest Expense and Other, Net	(141,656)	(1,707)	(3,874,248)
Loss Before Income Taxes	(614,451)	(400,159)	(23,014,649)
Provision for Income Tax Expense	-	-	-
Net loss	$ (614,451)	$ (400,159)	$ (23,014,649)
Net loss Per Share - Basic and Diluted	$ (0.0001)	$ (0.0001)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	4,575,365,252	2,791,856,664	N/A

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Three Months Ended March 31, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to March 31, 2014
(Unaudited)

	March 31, 2014	March 31, 2013	April 10, 2000 (Inception) to March 31, 2014
Cash Flows From Operating Activities:			
Net Loss	$ (614,451)	$ (400,159)	$ (23,014,649)
Adjustment to Reconcile Net Loss to			
Net Cash Used in Operating Activities:			
Depreciation and amortization	3,825	4,169	166,207
Provision for bad debts	139	(4,767)	529,197
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	-	-	828,050
Non-cash expenses	29,900	-	1,533,399
Share-based compensation expense	-	-	1,154,113
Non-cash interest related to notes payable	-	-	595,568
Non-cash interest related to related party notes payable	136,992	121,708	1,701,195
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	-	949,840
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities		-	
(Increase) Decrease in:		-	
Trade and other receivables	(3,730)	(77,797)	(292,145)
Trade receivables assigned to related party	-	(379)	-
Inventory	(4,803)	4,869	(721,706)
Due from related party	-	-	-
Prepaid expenses and other	-	-	-
			-
Increase (Decrease) in:			-
Accounts payable and accrued expenses	(167,194)	57,559	514,373
Deferred revenue	(67,459)	10,528	56,577
Net Cash Used In Operating Activities	(686,781)	(284,269)	(15,103,213)
Cash Flows Used In Investing Activities			
Acquisition of property and equipment	-	-	(211,564)
Cash Flows From Financing Activities			
Proceeds from note payable	-		1,586,998
Payments on note payable	-	-	(627,142)
Proceeds from related party notes payable	721,680	265,999	10,301,957
Proceeds from financing of receivables with related party	-	-	116,978
Payments for financing of receivables with related party	-	-	(974,803)
Proceeds from issuance of common stock	-		4,984,278
Other	-		(9,987)
Net Cash Provided By Financing Activities	721,680	265,999	15,378,279
Net Increase (Decrease) In Cash	34,899	(18,270)	63,502
Cash- Beginning of Period	28,603	20,965	-
Cash- End of Period	$ 63,502	$ 2,695	$ 63,502
Supplemental Disclosures Of Cash Flow Information:			
Cash paid during the periods for interest	$ 4,919	$ -	$ 82,983
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 725,000	$ 539,109	$ 5,991,319
Issuance of convertible debt with beneficial conversion interest	$ 720,850	$ 33,905	$ 1,595,737
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
See Accountants' Compilation Report
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™,RecoveryRx™ and HealFast®.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
    - Back Pain Therapy packaged with a wrap
    - Multi-Use Therapy packaged with 60 adhesives
    - Knee Pain Therapy packaged with a wrap
    - Wrist and Elbow Pain Therapy packaged with a wrap
    - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
    - Post-operative and chronic wound care
    - Post-operative and chronic wound care
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $23 and $11,972 at March 31, 2014 and December 31, 2013, respectively. Bad debt expense for the three months ended March 31, 2014 and 2013 was $139 and $4,767, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the years ended December 31, 2013 and 2012. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the three months ended March 31, 2014 and 2013 were $30,793 and $473, respectively, and included

in sales support expenses. There was no value recorded to prepaid advertising as of March 31, 2014 and December 31, 2013, and no value recorded to amortization expense for prepaid advertising for the three months ended March 31, 2014 and 2013, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred. The Company incurred $39,225 and $0 in the three months ended March 31, 2014 and 2013, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the three months ended March 31, 2014 and 2013 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 (November 2010), 2,000,000,000 in 2011, to 3,000,000,000 in 2012, to 4,000,000,000 in 2013, and to 6,000,000,000 in 2014. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt

to equity, and the vesting of nonvested share awards. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $614,451 for the three months ended March 31, 2014, and a total net loss since inception of $23,014,649. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	March 31, 2014	December 31, 2013
Raw materials	$ 418,604	$ 404,292
Prepaid inventory	60,900	60,145
Finished goods	242,202	252,466
	$ 721,706	$ 716,903

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	March 31, 2014	December 31, 2013
Machinery & Equipment	$ 163,129	$ 163,129
Leasehold improvements	6,882	6,882
	170,011	170,011
Less: accumulated depreciation	148,781	144,956
Total property and equipment, net	$ 21,230	$ 25,055

For the three months ended March 31, 2014 and 2013, depreciation expense on property and equipment amounted to $3,825 and $4,169, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit is for $500,000 at a fixed interest rate of 3.99%, with the amount borrowed owed in full in May 2014. As of March 2014, the full line of credit of $500,000 was utilized with the full amount payable. Total interest expense on the line of credit amounted to $4,919 in the three months ended March 2014.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the three months ended March 31, 2014, IBEX sold $700,000 of the Revolver's outstanding balance to external parties, who subsequently converted these notes into 1,364,944,318 shares at conversion prices ranging from $.00018 to $.003 per share. During the three months ended March 31, 2013, IBEX sold $58,929 of the Revolver's outstanding balance for conversions into 78,571,428 shares at a conversion price of $.00075 per share.

The balance of the Revolver as of March 31, 2014 and December 31, 2013 was $51,789 and $745,417, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

Starting in 2012 and continuing through March 2014, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 9,863,573,500 at December 31, 2013 to 11,405,616,855 at March 31, 2014.

During the three months ended March 31, 2014 and 2013, the Company borrowed $696,000 and $15,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the three months ended March 31, 2014 and 2013 was $95,056 and $84,770, respectively.

The balance of the IBEX Promissory Notes Payable as of March 31, 2014 and December 31, 2013 was $5,022,785 and $4,263,082, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Other related party notes payable are summarized as follows:

Issuance Date Ranges	Maturity Dates	Average Interest Rate	Total Value of Notes Payable			Average Conversion Price/Share	Convertible Shares	Lender
			Principal	Interest	Total			
11/10 - 12/13	6/13 - 3/16	8.0%	$ 1,412,501	$ 286,665	$ 1,699,166	$ 0.00125	1,358,236,878	President
11/10 - 9/13	11/13 - 9/15	8.0%	294,586	37,723	332,309	0.00055	605,082,750	Board Chairman
12/10 - 2/14	12/13 - 2/16	8.0%	131,743	21,062	152,805	0.00106	144,632,270	Other Related Parties
		8.0%	$ 1,838,830	$ 345,450	$ 2,184,280	$ 0.0010	2,107,951,898	

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. There were no related party loan conversions during the three months ended March 31, 2014 and 2013, respectively.

During the three months ended March 31, 2014 and 2013, the Company borrowed $24,850 and $51,535, respectively, through additional promissory notes with other related parties.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three Months Ended March 31,	
Common Stock:	2014	2013
Weighted Average Number of Shares Outstanding - Basic	4,575,365,252	2,791,856,664
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	4,575,365,252	2,791,856,664
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	10,233,333	15,153,724
Options to Purchase Common Stock	333,700,000	26,399,293
	343,933,333	41,553,017

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 400 million shares in 2014 under the Plan. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

No stock options were issued in the first three months of 2014..

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

There were no restricted stock awards issued in the first three months of 2014 and 2013, respectively.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the three months ended March 31, 2014 and 2013 because of a significant net operating loss carry-forward of approximately $21 million. The net operating losses expire in various years through 2031.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of March 31, 2014 and December 31, 2013, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The approximate future minimum lease payments as of March 31, 2014 and December 31, 2013 amounted to $600 and $900, respectively, due in 2014.

The amount of rental expenses was $23,293 and 23,463 for the three months ended March 31, 2014 and 2013, respectively.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by

eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the three months ended March 31, 2014 and 2013 amounted to $3,255 and $557, respectively. The balance due from eMarkets as of March 31, 2014 and December 31, 2013 was $22 and $0, respectively.

NOTE 14 – CONCENTRATIONS

As of March 31, 2014, approximately 88 percent of trade receivables was from 3 customers. For the three months ended March 31, 2014 approximately 76 percent of sales revenue was from 5 customers. As of March 31, 2014, approximately 57 percent of accounts payable was for 5 vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

Unaudited financial statements for BioElectronics Corporation for the nine months ended September 30, 2014 and 2013 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets
(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 2,889	$ 28,603
Trade and other receivables, net	168,350	120,315
Inventory	574,433	716,903
Total current assets	745,672	865,821
Property and equipment	181,061	170,011
Less: Accumulated depreciation	(157,261)	(144,956)
Property and equipment, net	23,800	25,055
Total assets	$ 769,472	$ 890,876
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 418,021	$ 681,567
Deferred revenue	47,104	124,036
Related party notes payable, current portion	1,489,466	1,502,459
Ex-Im Bank Financing	500,000	500,000
Total current liabilities	2,454,591	2,808,062
Long-term liabilities:		
Related party notes payable, net of discount	5,957,866	5,623,531
Total liabilities	8,412,457	8,431,593
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 7,000,000,000 and 4,000,000,000 shares authorized at September 30, 2014 and December 31, 2013, respectively, and 6,217,834,733 and 3,859,893,093 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	6,217,835	3,859,893
Additional paid-in capital	10,642,325	10,999,588
Deficit accumulated during the development stage	(24,503,145)	(22,400,198)
Total stockholders' deficiency	(7,642,985)	(7,540,717)
Total liabilities and stockholders' deficiency	$ 769,472	$ 890,876

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Three and Nine Months Ended September 30, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to September 30, 2014
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended		Period from April 10, 2000 (Inception) to September 30, 2014
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	
Sales	$ 231,174	$ 110,091	$ 677,454	$ 403,592	$ 6,926,237
Cost of Goods Sold	181,554	104,871	475,489	290,024	3,518,145
Gross profit	49,620	5,220	201,965	113,568	3,408,092
General and Administrative Expenses:					
Bad Debt Expense(Recovery)	(11,897)	(4,419)	(22,955)	24,730	412,216
Depreciation and Amortization	4,655	4,169	12,305	12,508	175,187
Investor Relations Expenses	69,927	2,822	160,087	6,947	2,446,107
Legal and Accounting Expenses	22,124	50,328	89,912	107,721	2,163,315
Sales Support Expenses	180,969	185,226	436,097	464,866	4,463,837
Research and Development	50,843	2,100	245,382	54,020	602,247
Other General and Administrative Expenses	300,341	303,913	974,371	996,807	13,506,023
Total General and Administrative Expenses	616,962	544,139	1,895,199	1,667,599	23,768,932
Loss from Operations	(567,342)	(538,919)	(1,693,234)	(1,554,031)	(20,360,840)
Interest Expense and Other, Net:					
Other Income(Expense)	(549)	73	(60)	125,078	206,005
Interest Expense	(155,482)	(195,799)	(409,653)	(435,959)	(4,348,310)
Total Interest Expense and Other, Net	(156,031)	(195,726)	(409,713)	(310,881)	(4,142,305)
Loss Before Income Taxes	(723,373)	(734,645)	(2,102,947)	(1,864,912)	(24,503,145)
Provision for Income Tax Expense	-	-	-	-	-
Net loss	$ (723,373)	$ (734,645)	$ (2,102,947)	$ (1,864,912)	$ (24,503,145)
Net loss Per Share - Basic and Diluted	$ (0.0001)	$ (0.0002)	$ (0.0004)	$ (0.0006)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	6,049,205,179	3,394,781,867	5,038,863,913	3,056,805,243	N/A

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to September 30, 2014
(Unaudited)

	September 30, 2014	September 30, 2013	April 10, 2000 (Inception) to September 30, 2014
Cash Flows From Operating Activities:			
Net Loss	$ (2,102,947)	$ (1,864,912)	$ (24,503,145)
Adjustment to Reconcile Net Loss to			
Net Cash Used in Operating Activities:			
Depreciation and amortization	12,305	12,508	174,687
Provision for bad debts	-	24,730	529,058
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	-	-	828,050
Non-cash expenses	-	22,250	1,503,499
Share-based compensation expense	72,397	-	1,226,510
Non-cash interest related to notes payable	-	-	595,568
Non-cash interest related to related party notes payable	394,125	382,184	1,958,328
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	-	949,840
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	(48,035)	(79,051)	(336,450)
Trade receivables assigned to related party	-	-	-
Inventory	142,470	143,475	(574,433)
Due from related party	-	-	-
Prepaid expenses and other	-	-	-
Increase (Decrease) in:			
Accounts payable and accrued expenses	(263,546)	71,400	418,021
Deferred revenue	(76,932)	115,100	47,104
Net Cash Used In Operating Activities	(1,870,163)	(1,172,316)	(16,286,595)
Cash Flows Used In Investing Activities			
Acquisition of property and equipment	(11,050)	-	(222,614)
Cash Flows From Financing Activities			
Proceeds from note payable	-	420,208	1,586,998
Payments on note payable	-	(2,766)	(627,142)
Proceeds from related party notes payable	1,855,499	768,836	11,435,776
Proceeds from financing of receivables with related party	-	-	116,978
Payments for financing of receivables with related party	-	-	(974,803)
Proceeds from issuance of common stock	-		4,984,278
Other	-		(9,987)
Net Cash Provided By Financing Activities	1,855,499	1,186,278	16,512,098
Net Increase (Decrease) In Cash	(25,714)	13,962	2,889
Cash- Beginning of Period	28,603	20,965	-
Cash- End of Period	$ 2,889	$ 34,927	$ 2,889
Supplemental Disclosures Of Cash Flow Information:			
Cash paid during the periods for interest	$ 15,528	$ -	$ 93,592
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 1,927,515	$ 702,589	$ 8,250,684
Issuance of convertible debt with beneficial conversion interest	$ 1,854,730	$ -	$ 2,729,617
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
See Accountants' Compilation Report
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™,RecoveryRx™ and HealFast®.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
    - Back Pain Therapy packaged with a wrap
    - Multi-Use Therapy packaged with 60 adhesives
    - Knee Pain Therapy packaged with a wrap
    - Wrist and Elbow Pain Therapy packaged with a wrap
    - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
    - Post-operative and chronic wound care
    - Post-operative and chronic wound care
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $6,296 and $11,972 at September 30, 2014 and December 31, 2013, respectively. Bad debt expense(recovery) for the nine months ended September 30, 2014 and 2013 was $(22,955) and $24,730, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the nine months ended September 30, 2014 and 2013. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the nine

months ended September 30, 2014 and 2013 were $214,044 and $131,253, respectively, and included in sales support. There was no value recorded to prepaid advertising as of September 30, 2014 and December 31, 2013, and no value recorded to amortization expense for prepaid advertising for the nine months ended September 30, 2014 and 2013, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred. The Company incurred $245,382 and $54,020 in the nine months ended September 30, 2014 and 2013, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the nine months ended September 30, 2014 and 2013 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 (November 2010), 2,000,000,000 in 2011, to

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3,000,000,000 in 2012, to 4,000,000 in 2013, and to 7,000,000 in 2014. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity, and the vesting of nonvested share awards. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,102,947 for the nine months ended September 30, 2014, and a total net loss since inception of $24,503,145. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	September 30, 2014	December 31, 2013
Raw materials	$ 380,280	$ 404,292
Prepaid inventory	6,000	60,145
Finished goods	188,153	252,466
	$ 574,433	$ 716,903

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	September 30, 2014	December 31, 2013
Machinery & Equipment	$ 174,179	$ 163,129
Leasehold improvements	6,882	6,882
	181,061	170,011
Less: accumulated depreciation	157,261	144,956
Total property and equipment, net	$ 23,800	$ 25,055

For the nine months ended September 30, 2014 and 2013, depreciation expense on property and equipment amounted to $12,305 and $12,508, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit is for $500,000, and was renewed for an additional one-year term effective in June 2014, at a fixed interest rate of 5.07%, with the amount borrowed owed in full in June 2015. As of September 30, 2014, the full

NOTE 6 – LINE OF CREDIT (continued)

line of credit of $500,000 was utilized with the full amount payable. Total interest expense on the line of credit amounted to $15,528 in the nine months ended September 2014.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the nine months ended September 30, 2014, IBEX sold $760,325 of the Revolver's remaining outstanding balance to external parties, who subsequently converted these notes into 1,396,694,318 shares at conversion prices ranging from $.00018 to $.003 per share. During the six months ended June 30, 2013, IBEX sold $408,930 of the Revolver's outstanding balance for conversions into 420,728,290 shares at conversion prices ranging from $.00075 to $.0015 per share.

The balance of the Revolver as of September 30, 2014 and December 31, 2013 was $0 and $745,417, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through June 2014, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 9,863,573,500 at December 31, 2013 to 10,893,804,786 at September 30, 2014.

During the nine months ended September 30, 2014 and 2013, the Company borrowed $1,703,305 and $591,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the nine months ended September 30, 2014 and 2013 was $297,648 and $158,629, respectively.

The balance of the IBEX Promissory Notes Payable as of September 30, 2014 and December 31, 2013 was $5,105,594 and $4,263,082, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based upon the fair market value of the OTC closing price of the Company's stock as of the date of issuance discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver and promissory convertible notes. There were no related party loan conversions during the six months ended June 30, 2014 and 2013, respectively.

During the nine months ended September 30, 2014 and 2013, the Company borrowed $92,675 and $80,782, respectively, through additional promissory notes with other related parties.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Nine Months Ended September 30,	
Common Stock:	2014	2013
Weighted Average Number of Shares Outstanding - Basic	5,038,863,913	3,056,805,243
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	5,038,863,913	3,056,805,243
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	10,233,333	15,153,724
Options to Purchase Common Stock	333,700,000	26,399,293
	343,933,333	41,553,017

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 400 million shares in 2014 under the Plan. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

No stock options were issued in the first nine months of 2014.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

There were no restricted stock awards issued in the first nine months of 2014 and 2013, respectively.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended September 30, 2014 and 2013 because of a significant net operating loss carry-forward of approximately $24 million. The net operating losses expire in various years through 2031.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of September 30, 2014 and December 31, 2013, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replace by other leases.

The approximate future minimum lease payments as of September 30, 2014 and December 31, 2013 amounted to $200 and $900, respectively, due in 2014.

The amount of rental expenses was $69,163 and $69,110 for the nine months ended September 30, 2014 and 2013, respectively.

Litigation

General

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the nine months ended September 30, 2014 and 2013 amounted to $10,337 and $2,872, respectively. The balance due from eMarkets as of September 30, 2014 and December 31, 2013 was $1,003 and $0, respectively.

NOTE 14 – CONCENTRATIONS

As of September 30, 2014, approximately 90 percent of trade receivables was from two customers. For the nine months ended September 30, 2014 approximately 60 percent of sales revenue was from six customers. As of September 30, 2014, approximately 73 percent of accounts payable was for five vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Unaudited financial statements for BioElectronics Corporation for the years ended December 31, 2014 and 2013 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Balance Sheets
(Unaudited)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 45,342	$ 28,603
Trade and other receivables, net	234,523	120,315
Inventory	393,330	716,903
Total current assets	673,195	865,821
Property and equipment	181,061	170,011
Less: Accumulated depreciation	(161,639)	(144,956)
Property and equipment, net	19,422	25,055
Total assets	$ 692,617	$ 890,876
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 482,361	$ 681,567
Deferred revenue	18,014	124,036
Related party notes payable, current portion	2,058,447	1,502,459
Notes Payable	564,138	500,000
Total current liabilities	3,122,960	2,808,062
Long-term liabilities:		
Related party notes payable, net of discount	5,718,002	5,623,531
Total liabilities	8,840,962	8,431,593
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 7,000,000,000 and 4,000,000,000 shares authorized at December 31, 2014 and December 31, 2013, respectively, and 6,409,215,686 and 3,859,93,093 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	6,409,216	3,859,893
Additional paid-in capital	10,519,966	10,999,588
Deficit accumulated during the development stage	(25,077,527)	(22,400,198)
Total stockholders' deficiency	(8,148,345)	(7,540,717)
Total liabilities and stockholders' deficiency	$ 692,617	$ 890,876

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Years Ended December 31, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to December 31, 2014
(Unaudited)

	2014	2013	Period from April 10, 2000 (Inception) to December 31, 2014
Sales	$ 1,289,896	$ 665,510	$ 7,538,679
Cost of Goods Sold	744,816	430,724	3,787,472
Gross profit	545,080	234,786	3,751,207
General and Administrative Expenses:			
Bad Debt Expense	5,175	12,633	440,346
Depreciation and Amortization	16,683	16,563	179,565
Investor Relations Expenses	173,657	36,697	2,459,677
Legal and Accounting Expenses	159,414	88,138	2,232,817
Sales Support Expenses	988,931	699,191	5,016,671
Research and Development	360,449	216,665	717,314
Other General and Administrative Expenses	914,142	1,098,427	13,445,794
Total General and Administrative Expenses	2,618,451	2,168,314	24,492,184
Loss from Operations	(2,073,371)	(1,933,528)	(20,740,977)
Interest Expense and Other:			
Interest Expense	(603,958)	(637,170)	(4,542,615)
Other Income(Expenses)	-	125,078	206,065
Total Interest Expense and Other, Net	(603,958)	(512,092)	(4,336,550)
Loss Before Income Taxes	(2,677,329)	(2,445,620)	(25,077,527)
Provision for Income Tax Expense	-	-	-
Net loss	$ (2,677,329)	$ (2,445,620)	$ (25,077,527)
Net loss Per Share - Basic and Diluted	$ (0.0006)	$ (0.0007)	
Weighted Average Number of Shares Outstanding - Basic and Diluted	4,836,167,956	3,263,120,226	

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
and for the Period from April 10, 2000 (Inception) to December 31, 2014
(Unaudited)

	2014	2013	April 10, 2000 (Inception) to December 31, 2014
Cash Flows From Operating Activities:			
Net Loss	$ (2,677,329)	$ (2,445,620)	$ (25,077,527)
Adjustment to Reconcile Net Loss to			
Net Cash Used in Operating Activities:			
Depreciation and amortization	16,683	16,563	179,065
Provision for bad debts	5,175	12,633	534,233
Amortization of non-cash debt issuance costs	-	-	725,573
Amortization and extinguishment of beneficial conversion discount	-	-	828,050
Non-cash expenses	-	-	1,503,499
Share-based compensation expense	154,820	52,085	1,308,933
Non-cash interest related to notes payable	6,388	3,150	601,956
Non-cash interest related to related party notes payable	581,102	466,755	2,145,305
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	-	949,840
Loss on disposal of property and equipment	-	-	41,545
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	(119,383)	(63,634)	(407,798)
Inventory	323,573	137,439	(393,330)
Increase (Decrease) in:			
Accounts payable and accrued expenses	(199,206)	123,958	482,361
Deferred revenue	(106,022)	97,486	18,014
Net Cash Used In Operating Activities	(2,014,199)	(1,599,185)	(16,430,631)
Cash Flows Used In Investing Activities			
Acquisition of property and equipment	(11,050)	-	(222,614)
Cash Flows From Financing Activities			
Proceeds from note payable	116,500	496,850	1,703,498
Payments on note payable	-	-	(627,142)
Proceeds from related party notes payable	1,925,488	1,109,973	11,505,765
Proceeds from financing of receivables with related party	-	-	116,978
Payments for financing of receivables with related party	-	-	(974,803)
Proceeds from issuance of common stock	-	-	4,984,278
Other	-	-	(9,987)
Net Cash Provided By Financing Activities	2,041,988	1,606,823	16,698,587
Net Increase (Decrease) In Cash	16,739	7,638	45,342
Cash- Beginning of Period	28,603	20,965	-
Cash- End of Period	$ 45,342	$ 28,603	$ 45,342
Supplemental Disclosures Of Cash Flow Information:			
Cash paid during the periods for interest	$ 16,468	$ 11,432	$ 94,532
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	$ 2,111,472	$ 870,665	$ 7,377,791
Issuance of convertible debt with beneficial conversion interest	$ -	$ -	$ 874,887
Conversion of warrants into common stock	$ -	$ -	$ 5,336
Equipment purchases financed through capital leases and notes payable	$ -	$ -	$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™,RecoveryRx™ and HealFast®.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
    - Back Pain Therapy packaged with a wrap
    - Multi-Use Therapy packaged with 60 adhesives
    - Knee Pain Therapy packaged with a wrap
    - Wrist and Elbow Pain Therapy packaged with a wrap
    - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
    - Post-operative and chronic wound care
    - Post-operative and chronic wound care
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $5,480 and $11,972 at December 31, 2014 and December 31, 2013, respectively. Bad debt expense for the years ended December 31, 2014 and 2013 was $5,175 and $12,633, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the years ended December 31, 2014 and 2013. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the years ended December 31, 2014 and 2013 were $370,860 and $140,128, respectively, and included

in sales support expenses. There was no value recorded to prepaid advertising as of December 31, 2014 and 2013, and no value recorded to amortization expense for prepaid advertising for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred, along with staff dedicated to research and development.. The Company incurred $358,868 and $216,665 in the years ended December 31, 2014 and 2013, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the years ended December 31, 2014 and 2013 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 in 2010, to 2,000,000,000 in 2011, to 3,000,000,000 in

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2012, to 4,000,000 in 2013, and to 7,000,000,000 in 2014. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,677,329 for the year ended December 31, 2014, and a total net loss since inception of $25,077,527. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	December 31, 2014	December 31, 2013
Raw materials	$ 258,781	$ 404,292
Prepaid inventory	51,060	60,145
Finished goods	83,489	252,466
	$ 393,330	$ 716,903

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	December 31, 2014	December 31, 2013
Machinery & Equipment	$ 174,179	$ 163,129
Leasehold improvements	6,882	6,882
	181,061	170,011
Less: accumulated depreciation	161,639	144,956
Total property and equipment, net	$ 19,422	$ 25,055

For the years ended December 31, 2014 and 2013, depreciation expense on property and equipment amounted to $16,683 and $16,563, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit is for $500,000 at a fixed interest rate of 3.99%, with the amount borrowed owed in full in May 2014. As of December 2014, the full line of credit of $500,000 was utilized, with the full amount payable, including interest, amounting to $506,388. For the years ended December 31, 2014 and 2013, total interest expense on the line of credit amounted to $20,000 and $8,873, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the

Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the years ended December 31, 2014 and 2013, IBEX sold $760,325 and $634,013, respectively of the Revolver's outstanding balance to external parties. These notes were subsequently converted into 1,396,694,318 shares in 2014, at conversion prices ranging from $.00018 to $.003 per share, and 1,121,562,701 shares in 2013, at conversion prices ranging from $.00025 to $.0021 per share.

The balance of the Revolver as of December 31, 2014 and 2013 was $0 and $745,417, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through December 2014, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 9,863,573,500 at December 31, 2013, to 11,716,139,856 at December 31, 2014.

During the years ended December 31, 2014 and 2013, the Company borrowed $1,899,305 and $704,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the years ended December 31, 2014 and 2013 was $359,705 and $362,824, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver Agreement. There were no related party loan conversions during the years ending December 31, 2014 and 2013.

During the years ended December 31, 2014 and 2013, the Company borrowed $164,022 and $191,253, respectively, through additional promissory notes with other related parties.

During 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 per share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was $33,905 upon conversion.

Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these other related party loans has increased from 2,054,264,381 at December 31, 2013, to 5,393,518,265 at December 31, 2014.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Year Ended December 31,	
Common Stock:	2014	2013
Weighted Average Number of Shares Outstanding - Basic	4,836,167,956	3,263,120,226
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	4,836,167,956	3,263,120,226
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	40,000,000	10,233,333
Options to Purchase Common Stock	793,700,000	333,700,000
	833,700,000	343,933,333

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 500 million shares in 2014. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

In March 2014, the Company granted 210.0 million stock options to an Executive Vice President, with three tranches of 70.0 million each with prices ranging from $.0014 to $.015 per share, with each tranche exercisable on the first, second and third anniversaries of the grant, and each vesting over a three-year period.

In March 2014, the Company granted 250.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share (50% of market price).

Stock Options	Shares		Weighted-average grant date fair value
Balance at December 31, 2013	333,700,000	$	0.0056
Granted	460,000,000		0.0048
Vested	-		-
Forfeited	-		-
Balance at December 31, 2014	793,700,000	$	0.0052

Compensation expense related to the stock options during the years ended December 31, 2014 and 2013 was $107,818 and $29,853, respectively.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

In March 2014, the Company issued 40.0 million shares of restricted stock to an Executive Vice President, vesting in equal thirds on the first three anniversaries of the grant.

Nonvested shares	Shares		Weighted-average grant date fair value
Balance at December 31, 2013	10,233,000	$	0.0104
Granted	40,000,000		0.0047
Vested	-		-
Forfeited	(10,233,000)		0.0104
Balance at December 31, 2014	40,000,000	$	0.0047

Total compensation cost related to the restricted stock awards granted was $23,499 and $0 for the years ended December 31, 2014 and 2013, respectively.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the year ended December 31, 2014 because of a significant net operating loss carry-forward of approximately $24 million. The net operating losses expire in various years through 2034.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of December 31, 2014 and 2013, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the years ended December 31, 2014 and 2013 amounted to $13,759 and $4,820, respectively. The balance due from eMarkets as of December 31, 2014 and 2013 was $617 and $0, respectively.

NOTE 14 – CONCENTRATIONS

As of December 31, 2014, approximately 97 percent of trade receivables was from four customers. For the year ended December 31, 2014 approximately 50 percent of sales revenue was from three customers, with one customer accounting for 20 percent.

As of December 31, 2014, approximately 74 percent of accounts payable was for six vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

Unaudited financial statements for BioElectronics Corporation for the three months ended March 31, 2015 and 2014 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Balance Sheets
(Unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 48,391	$ 45,342
Trade and other receivables, net	262,509	234,523
Inventory	321,509	393,330
Other Current Assets	43,200	-
Total current assets	675,609	673,195
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(165,255)	(161,639)
Property and equipment, net	15,806	19,422
Total assets	$ 691,415	$ 692,617
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 542,014	$ 482,361
Deferred revenue	45,660	18,014
Related party notes payable, current portion	2,729,561	2,058,447
Notes Payable	506,388	564,138
Total current liabilities	3,823,623	3,122,960
Long-term liabilities:		
Related party notes payable, net of discount	5,308,156	5,718,002
Total liabilities	9,131,779	8,840,962
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 8,000,000,000 and 7,000,000,000 shares authorized at March 31, 2015 and December 31, 2014, respectively, and 7,055,400,031and 6,409,215,686 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	7,055,400	6,409,216
Additional paid-in capital	10,237,039	10,519,966
Deficit accumulated during the development stage	(25,732,803)	(25,077,527)
Total stockholders' deficiency	(8,440,364)	(8,148,345)
Total liabilities and stockholders' deficiency	$ 691,415	$ 692,617

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	Three Months Ended	
	March 31, 2015	March 31, 2014
Sales	$ 503,448	$ 169,584
Cost of Goods Sold	282,508	85,740
Gross profit	220,940	83,844
General and Administrative Expenses:		
Bad Debt Expense	-	139
Depreciation and Amortization	3,616	3,825
Investor Relations Expenses	18,000	32,900
Legal and Accounting Expenses	66,246	12,669
Sales Support Expenses	241,795	131,324
Research and Development	85,846	39,225
Other General and Administrative Expenses	303,710	336,557
Total General and Administrative Expenses	719,213	556,639
Loss from Operations	(498,273)	(472,795)
Interest Expense and Other, Net:		
Other Income(Expense)	-	489
Interest Expense	(157,003)	(142,145)
Total Interest Expense and Other, Net	(157,003)	(141,656)
Loss Before Income Taxes	(655,276)	(614,451)
Provision for Income Tax Expense	-	-
Net loss	$ (655,276)	$ (614,451)
Net loss Per Share - Basic and Diluted	$ (0.0001)	$ (0.0001)
Weighted Average Number of Shares Outstanding - Basic and Diluted	6,732,307,859	4,575,365,252

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

	March 31, 2015	March 31, 2014
Cash Flows From Operating Activities:		
Net Loss	$ (655,276)	$ (614,451)
Adjustment to Reconcile Net Loss to		
Net Cash Used in Operating Activities:		
Depreciation and amortization	3,616	3,825
Provision for bad debts	-	139
Non-cash expenses	53,200	29,900
Share-based compensation expense	-	-
Non-cash interest related to notes payable	-	-
Non-cash interest related to related party notes payable	156,847	136,992
Amortization of loan costs	-	-
Increase in related party notes payable for services rendered	-	-
Loss on disposal of property and equipment	-	-
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Trade and other receivables	(27,986)	(3,730)
Inventory	71,821	(4,803)
Other Current Assets	(43,200)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	59,653	(167,194)
Deferred revenue	27,646	(67,459)
Net Cash Used In Operating Activities	(353,679)	(686,781)
Cash Flows Used In Investing Activities		
Acquisition of property and equipment	-	-
Cash Flows From Financing Activities		
Proceeds from note payable	-	-
Payments on note payable	-	-
Proceeds from related party notes payable	356,728	721,680
Proceeds from financing of receivables with related party	-	-
Net Cash Provided By Financing Activities	356,728	721,680
Net Increase (Decrease) In Cash	3,049	34,899
Cash- Beginning of Period	45,342	28,603
Cash- End of Period	$ 48,391	$ 63,502
Supplemental Disclosures Of Cash Flow Information:		
Cash paid during the periods for interest	$ 10,554	$ 4,919
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 252,307	$ 725,000
Issuance of convertible debt with beneficial conversion interest	$ -	$ -
Conversion of warrants into common stock	$ -	$ -
Equipment purchases financed through capital leases and notes payable	$ -	$ -

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug-free, topical pain medical devices. The devices consist of a microchip, battery and antenna that deliver the therapy. The devices provide 30 days of continuous pain relief for the following applications: (1) Back; (2) Neck; (3) Knee; (4) Wrist and Elbow; (5) Smart Insole™ for Heel Pain; (6) Allay® Menstrual Cycle Pain Therapy and RecoveryRx® for post-operative and chronic wound care.

How the Devices Work
The body is regulated, at least in part, by electrical signals that travel along nerves. BioElectronics devices modify these nerve signals and provide pain relief by stimulating sensor neurons, which increase blood flow to reduce inflammation, which helps restore injured tissue to a healthy state.
BioElectronics' technology is an innovative, novel breakthrough technology:

a) The devices have a unique mechanism of action that relies on stochastic. Other pulsed shortwave therapy devices are higher power and rely on a thermal mechanism of action.
b) The Company's device, because of their very low power and reliance on stochastic resonance to generate the biological effects, is extremely safe with no risk of burns or other adverse effects. The safety profile is far superior to other pulsed shortwave therapy devices and hence do not require prescription or supervision by a healthcare provider, it is capable of being an OTC product and hence can benefit the general chronic pain population unlike other pulsed shortwave therapy devices.
c) The mechanism of action provides a unique analgesic profile of decreasing local pain sensitivity of the affected region due to an anti-inflammatory effect as well as decreasing central pain perception by a neuromodulation effect.
d) The device unique mechanism of action can run continuously for 720 hours. Unlike other devices, they can be used continuously up to 24 hours a day to provide constant and consistent pain relief rather than the intermittent effects of the other pulsed shortwave therapy devices.

Statistically significant and clinically meaningful pain reduction has been demonstrated in three RCTs, two in chronic and one acute musculoskeletal pain. The consumer data from 4000 respondents with an average baseline Visual Analogue Scale (VAS) score of 8.1 (scale is 0-10) demonstrated a 39% reduction of pain in chronic knee pain and 38% reduction of pain in chronic back pain. The consumer data has been bias tested and the placebo effects from the ActiPatch RCTs range from 3.9-7.0% so the effect is most likely to be very real. The consumer data demonstrates a consistent clinically meaningful effect in chronic musculoskeletal pain from a variety of etiologies (osteoarthritis, rheumatoid arthritis, fibromyalgia, post-surgical, neuropathic) affecting different regions of the body (back, hip, knee, wrist, elbow, and shoulder). The magnitude of the beneficial effect compares very favorably with current analgesic pain medications.
Choice of analgesic is not based solely on efficacy, as safety is very important. The ActiPatch risk/benefit profile is superior to all analgesic drugs and should be considered as a new and important technology, suitable for early use, to help alleviate the burden of chronic pain as well as decreasing the incidence of serious adverse effects from its treatment.

The company's patented Bioelectroceutical technology is unique in the market and has enormous potential for new products and applications to treat additional conditions generating growth for the future. BioElectronics Corporation with more than a decade of market experience and proven products is ideally positioned to profit from this market shift.

Market – Pain specialists now consider that chronic pain is a disease in its own right because there are demonstrable changes in the peripheral and central nervous system. Recent studies estimate the prevalence of chronic pain in the population to be about 20–40%, depending on how it is measured. According to the Institute of Medicine, one in three Americans experiences chronic pain (100 million adults in the U.S.) - more than the number affected by diabetes, heart disease and cancer combined.
Chronic musculoskeletal pain is the cause of 80-85% of all chronic pain; its incidence and prevalence will only increase with an aging population and the rise in obesity. Arthritis once is occurs is irreversible, with therapy focused on symptom reduction and maintenance of quality of life. Osteoarthritis is the cause of 85% of all arthritis. Chronic lower back pain with a prevalence of 23% is the leading cause of chronic pain and yet

NOTE 1- NATURE OF BUSINESS (continued)

despite the negative impact on quality of life and enormous financial burden on the health care system and economy, chronic low back pain remains a notoriously difficult condition to treat. Only the minority of people with chronic knee and hip pain go onto joint replacement to alleviate some of the symptoms; relief of pain is not guaranteed as 30% of people continue to suffer from chronic pain after knee replacements.

The high prevalence of chronic musculoskeletal pain is clear evidence of the ineffectiveness and inadequacy of the currently available therapeutic options. There are no consistent and dependably effective analgesic treatments for chronic musculoskeletal pain. Furthermore, despite the use of multiple drugs, medical interventions, surgery, and medical devices, the prevalence of chronic pain has been increasing.

The stark reality is that for the very significant percentage of the population, who suffer from moderate to severe chronic pain, there is no appropriate alternative therapy and they have to endure the effects of pain on their daily living activities. A safe, efficacious, simple to use, non-invasive, non-pharmacological therapy, would provide a valuable additional new mode of chronic pain therapy and result in substantial public health benefits by reducing the burden of pain, the complications of its treatment, as well as associated healthcare costs.

The BioElectronics device provides breakthrough technology that provides a clinically meaningful advantage over existing therapies. The ActiPatch® device retails for $30.00 for 720-hours of on/off therapy, is 100% safe and is 5x more effective than over-the-counter drugs. A key benefit of each of the products is portability, namely the complete mobility of the user while wearing the device. This portability feature of the product and mobility of the user enables a quicker functional return to regular activities resulting in less lost time from work, sports and other activities.

PRODUCTS

ActiPatch® Musculoskeletal Pain Therapy – is a clinically proven highly effective long-lasting affordable drug-free treatment for chronic pain.

Allay® Menstrual Pain Therapy – Provides safe drug-free all day pain relief.

RecoveryRx® – provides cost effective reduced pain and inflammation and accelerate healing for post-operative surgery

HealFast® Veterinary Therapy – The Company's veterinarian products are being sold by eMarkets Group, LLC in the retail pet and the veterinary market.

Summary of Evidence, Safety and Effectiveness

1. US FDA market clearance for the treatment of edema following blepharoplasty (approved for use over the eye and brain)

2. US FDA advisory panel meeting May 2103 recommended re-classification to class II for postoperative pain and edema. No ruling has currently been made. http://www.fda.gov/AdvisoryCommittees/Calendar/ucm346715.htm

3. Over the counter Class IIa market clearance in Canada, European Union (CE Mark) and multiple countries worldwide for the treatment of musculoskeletal, postoperative and menstrual pain.

NOTE 1- NATURE OF BUSINESS (continued)

4. Randomized, Double Blind Placebo Controlled Trials (published):
   - Plantar Fasciitis: plantar-study-pdf The American College of Foot and Ankle Surgeons in *The Journal of Foot & Ankle Surgery* stated, "... worn on a nightly basis appears to offer a simple, drug-free, noninvasive therapy to reduce the pain associated with plantar fasciitis." (p.18) *
   - Breast Augmentation (Pectoral Muscle Pain Relief) *Aesthetics Plastic Surgery* – official journal of the European Assoc. of Societies of Aesthetic Plastic Surgery (EASAPS) and Sociedade Brasileira de Cirurgia Plastica (SBCP) BioElectronics-Postoperative-Pain.pdf The CDRH Medical Devices Advisory Committee and Orthopaedic and Rehabilitation Devices Panel's review of the literature on 5/21/13 noted that the "study did use valid pain assessments and report a reduction in post-operative pain, an effect that was supported by a reduction in the use of analgesic medications". (p.85)
   - Blepharoplasty: *Aesthetics Plastic Surgery* accepted by the former Directors of the Office of Device Evaluation, FDA, Bernard Statland, MD, Ph. D. and Daniel Schultz, MD.
   - Osteoarthritis knee (University Hospital George C Martin, Rheumatology Department, Messina, Italy) at 4 weeks showed statistically significant reductions in pain and WOMAC pain, stiffness and function in the active group v placebo group. As well as significant decreases in knee swelling and pain perception – to be published summer 2015.

5. Randomized, Double Blind Placebo Controlled Trials (not published)
   - Menstrual Pain Study
   - Delayed Onset Muscle Soreness bicep muscle compared to acetaminophen (Tylenol)
   - A confirming clinical study (University British Columbia) on subjects with recalcitrant Plantar Fasciitis (average 29 months), with 6 month follow up showed significant improvements in pain and function (foot and ankle disability index) publication 2015.

6. Well-documented case histories (published)
   - Wound healing of Recalcitrant Ulcers **http://www.bielcorp.com/biel/wp-content/uploads/2013/03/BioElectronics-Chronic-Wound-Case-Series.pdf**: (published) International Wound Journal

7. Significant human experience with a marketed device
   - ActiPatch® Consumer Survey – average pain reduction of 53% in 72% of people with (4.4 VAS points) ActiPatch® use (p.23)
   - ActiPatch® Consumer **Follow Up** Survey – shows sustained pain reductions and improvements in quality of life with 86% reporting a moderate to great improvement and 84% reporting decreased use of pain medications.
   - ActiPatch Marketed in 57 countries – 750,000 units sold; 40+ million treatments This form of therapy has been used for 80+ years to reduce pain, inflammation and to accelerate healing (over 600 published studies)
   - "The Case for OTC Shortwave Therapy, Safe and Effective Devices for Pain Management" published in the January, 2014 issue of ***Pain Management***, author Ian Rawe, Ph.D. Director of Research, BioElectronics.

*_Mechanism of Action & Clinical Evidence_ (URL: http://www.bielcorp.com/biel/wp-content/uploads/2014/01/Bioelectroceuticals-Mechanism-of-Action-Clinical-Evidence-Version-16.pdf)

NOTE 1- NATURE OF BUSINESS (continued)

Ongoing Research
New York State University, Binghamton Clinical Science and Engineering Research Centers research, testing and confirming a physiological response in human soft tissue.

Study	Principal Investigator	Primary Outcome Measure	Enrollment	Status
Bilateral Hernia Surgical Recovery	Dr. Frederik Berreveot University Hospital Ghent, Ghent, Belgium	Analgesic medication use and pain over 7 day recovery.	20 bilateral 60 unilateral	May 2015 (4 bilateral patients to completion)
3rd Molar Extraction	Dr. William Gilmore Dental School, Boston, MA	Pain and Edema at day 1, 3 and 5	60	33% complete Interim analysis April 2015
Chronic Venous stasis ulcers	Dr. Rasmussen Aarhus University Hospital, Denmark	Wound healing and pain at 12 weeks	38	Pending Publication
Dental Implant	Dr. Operti, Dr Tealdo Valle Belbo Implant Center, Italy	Pain and Edema at day 3 and day 5	60	Recruiting Complete Dec 2015
Chronic Back Pain	Prof. Tipu Aziz Oxford University, John Radcliffe Hospital	VAS pain at 10 days	40	Pending Ethics Approval
Chronic Back Pain	Prof. Tipu Aziz BackCare UK Charity	VAS pain at 10 days	90	Pending Ethics Approval

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™,RecoveryRx™ and HealFast®.

- 5x better pain relief than OTC drugs, 100% safer and restores functionality.
- Available for
  - Back Pain Therapy packaged with a wrap
  - Multi-Use Therapy packaged with 60 adhesives
  - Knee Pain Therapy packaged with a wrap
  - Wrist and Elbow Pain Therapy packaged with a wrap
  - Comfortable and discreet 24-hour Menstrual pain and discomfort relief
  - Post-operative and chronic wound care

  - Post-operative and chronic wound care
- Clinically proven, with 6 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, University of British Columbia, Aarhus University Hospital, Denmark, and University Hospital, Ghent Belgium.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Scandinavia, Saudi Arabia, the Balkans, Australia, China and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $17,453 and $5,480 at March 31, 2015 and December 31, 2014, respectively. Bad debt expense for the three months ended March 31, 2015 and March 31, 2014 was $0 and $139, respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the three months ended March 31, 2015 and March 31, 2014. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising expenses for the three months ended March 31, 2015 and March 31, 2014 were $180,335 and $30,793, respectively, and included in sales support expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred, along with staff dedicated to research and development.. The Company incurred $85,846 and $39,225 for the three months ended March 31, 2015 and 2014, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the three months ended March 31, 2015 and 2014 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 in 2010, to 2,000,000,000 in 2011, to 3,000,000,000 in 2012, to 4,000,000 in 2013, to 7,000,000,000 in 2014, and to 8,000,000,000 in 2015. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $655,276 for the three months ended March 31, 2015, and a total net loss since inception of $25,732,803. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	March 31, 2015	December 31, 2014
Raw materials	$ 194,755	$ 258,781
Prepaid inventory	49,120	51,060
Finished goods	77,634	83,489
	$ 321,509	$ 393,330

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	March 31, 2015	December 31, 2014
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	165,255	161,639
Total property and equipment, net	$ 15,806	$ 19,422

For the three months ended March 31, 2015 and 2014, depreciation expense on property and equipment amounted to $3,616 and $3,825, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit is for $500,000 at a fixed interest rate of 5.07%, with the amount borrowed owed in full at December 31, 2015. As of March 31, 2015, the full line of credit of $500,000 was payable. For the three months ended March 31, 2015 and 2014, total interest expense on the line of credit amounted to $6,180 and $4,919, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the

Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the three months ended March 31, 2015 and 2014, IBEX sold $0 and $700,000, respectively of the Revolver's outstanding balance to external parties. These notes were subsequently converted into 1,364,944,318 shares in 2014, at conversion prices ranging from $.00018 to $.003 per share.

The balance of the Revolver as of March 31, 2015 and December 31, 2014 was $0 and $0, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion

price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through March 2015, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 11,716,139,856 at December 31, 2014 to 12,348,795,324 at March 31, 2015.

During the three months ended March 31, 2015 and 2014, the Company borrowed $283,940 and $696,000, respectively, through additional promissory notes with IBEX.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the three months ended March 31, 2015 and 2014 was $108,753 and $95,056, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver Agreement. There were no related party loan conversions during the years ending December 31, 2014 and 2013.

During the three months ended March 31, 2015 and 2014, the Company borrowed $64,179 and $24,850, respectively, through additional promissory notes with other related parties.

During 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 per share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was $33,905 upon conversion.

Due to the new loans and the drop in stock prices, the corresponding shares to be issued on the conversion of these other related party loans has increased from 5,393,518,265 at December 31, 2014 to 5,583,192,000 at March 31, 2015.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three Months Ended March 31,	
Common Stock:	2015	2014
Weighted Average Number of Shares Outstanding - Basic	6,732,307,859	4,575,365,252
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	6,732,307,859	4,575,365,252
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	40,000,000	10,233,333
Options to Purchase Common Stock	793,700,000	333,700,000
	833,700,000	343,933,333

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 500 million shares in 2014. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

NOTE 9 – SHARE BASED COMPENSATION (continued)

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

In March 2014, the Company granted 210.0 million stock options to an Executive Vice President, with three tranches of 70.0 million each with prices ranging from $.0014 to $.015 per share, with each tranche exercisable on the first, second and third anniversaries of the grant, and each vesting over a three-year period.

In March 2014, the Company granted 250.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share (50% of market price).

No stock options were awarded in the first three months of 2015.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

In March 2014, the Company issued 40.0 million shares of restricted stock to an Executive Vice President, vesting in equal thirds on the first three anniversaries of the grant.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the three months ended March 31, 2015 because of a significant net operating loss carry-forward of approximately $25 million. The net operating losses expire in various years through 2034.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of March 31, 2015 and 2014, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair

Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the three months ended March 31, 2015 and 2014 amounted to $3,153 and $3,255, respectively. The balance due from eMarkets as of March 31, 2015 and December 31, 2014 was $885 and $617, respectively.

NOTE 14 – CONCENTRATIONS

As of March 31, 2015, approximately 78 percent of trade receivables was from two customers. As of March 31, 2015, approximately 60 percent of sales revenue was from four customers, and 47% of accounts payble with three vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

Unaudited financial statements for BioElectronics Corporation for the six months ended June 30, 2015 and 2014 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: BIEL
CUSIP Number: 09062H108

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BioElectronics Corporation (A Development Stage Company)
Balance Sheets
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 29,203	$ 45,342
Trade and other receivables, net	311,306	234,523
Inventory	327,645	393,330
Total current assets	668,154	673,195
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(168,870)	(161,639)
Property and equipment, net	12,191	19,422
Total assets	$ 680,345	$ 692,617
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 650,800	$ 482,361
Deferred revenue	10,708	18,014
Related party notes payable, current portion	4,296,036	2,058,447
Notes Payable	506,388	564,138
Total current liabilities	5,463,932	3,122,960
Long-term liabilities:		
Related party notes payable, net of discount	4,023,686	5,718,002
Total liabilities	9,487,618	8,840,962
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 8,000,000,000 and 7,000,000,000 shares authorized at June 30, 2015 and December 31, 2014, respectively, and 7,999,028,602 and 6,409,215,686 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	7,999,029	6,409,216
Additional paid-in capital	9,658,676	10,519,966
Deficit accumulated during the development stage	(26,464,978)	(25,077,527)
Total stockholders' deficiency	(8,807,273)	(8,148,345)
Total liabilities and stockholders' deficiency	$ 680,345	$ 692,617

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Sales	$ 675,348	$ 276,696	$ 1,178,796	$ 446,280
Cost of Goods Sold	$ 383,894	208,195	666,402	293,935
Gross profit	291,454	68,501	512,394	152,345
General and Administrative Expenses:				
Bad Debt Expense	$ (878)	(11,197)	(878)	(11,058)
Depreciation and Amortization	$ 3,615	3,825	7,231	7,650
Investor Relations Expenses	$ 101,626	57,260	119,626	90,160
Legal and Accounting Expenses	$ 67,121	55,119	133,367	67,788
Sales Support Expenses	$ 257,870	123,804	499,665	255,128
Research and Development	$ 119,772	155,314	205,618	194,539
Other General and Administrative Expenses	$ 317,210	337,473	620,920	674,030
Total General and Administrative Expenses	866,336	721,598	1,585,549	1,278,237
Loss from Operations	(574,882)	(653,097)	(1,073,155)	(1,125,892)
Interest Expense and Other, Net:				
Other Income(Expense)	$ -	-	-	489
Interest Expense	$ (157,293)	(112,026)	(314,296)	(254,171)
Total Interest Expense and Other, Net	(157,293)	(112,026)	(314,296)	(253,682)
Loss Before Income Taxes	(732,175)	(765,123)	(1,387,451)	(1,379,574)
Provision for Income Tax Expense	$ -	$ -	-	-
Net loss	$ (732,175)	$ (765,123)	$ (1,387,451)	$ (1,379,574)
Net loss Per Share - Basic and Diluted	$ (0.0001)	$ (0.0002)	$ (0.0002)	$ (0.0003)
Weighted Average Number of Shares Outstanding - Basic and Diluted	7,527,214,317	5,585,706,518	7,204,122,144	4,870,234,359

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Six Months Ended June 30, 2015 and 2014
(Unaudited)

	June 30, 2015	June 30, 2014
Cash Flows From Operating Activities:		
Net Loss	$ (1,387,451)	$ (1,379,574)
Adjustment to Reconcile Net Loss to		
Net Cash Used in Operating Activities:		
Depreciation and amortization	7,231	7,650
Provision for bad debts	(878)	(11,058)
Non-cash expenses	99,146	29,900
Non-cash interest related to related party notes payable	298,172	254,171
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Trade and other receivables	(75,905)	(37,255)
Inventory	65,685	100,591
Increase (Decrease) in:		
Accounts payable and accrued expenses	168,439	(330,202)
Deferred revenue	(7,306)	(28,516)
Net Cash Used In Operating Activities	(832,867)	(1,394,293)
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(11,050)
Net Cash Used In Investing Activities	-	(11,050)
Cash Flows From Financing Activities		
Proceeds from related party notes payable	816,728	1,408,385
Proceeds from financing of receivables with related party	-	-
Net Cash Provided By Financing Activities	816,728	1,408,385
Net Increase (Decrease) In Cash	(16,139)	3,042
Cash- Beginning of Period	45,342	28,603
Cash- End of Period	$ 29,203	$ 31,645
Supplemental Disclosures Of Cash Flow Information:		
Cash paid during the periods for interest	$ 16,124	$ 10,346
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 571,627	$ 1,562,010
Issuance of convertible debt with beneficial conversion interest	$ 816,728	$ 1,407,384
Conversion of warrants into common stock	$ -	$ -
Equipment purchases financed through capital leases and notes payable	$ -	$ -

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug–free, topical pain medical devices. The devices use proven therapies of heat and electric restoration of the body's injured cells. Physicians, sports trainers, and therapist around the world have used pulsed shortwave therapy successfully for more than eighty years to reduce pain and inflammation *and* accelerate healing. The Company has reduced the clinic apparatus to wafer thin disposable devices that are applied directly to the body. The extended duration dual therapy of heat and electric restoration is significantly safer and more effective than competitive heat or cold pads and pain medications. The devices consist of an inexpensive microchip, battery and antenna that deliver the therapy more effectively. BioElectronics current products are:

ActiPatch® Musculoskeletal Pain Therapy – is a clinically proven highly effective long-lasting affordable drug-free treatment for chronic back, knee, and muscle and joint pain.

Allay® Menstrual Pain Therapy – Provides safe drug-free all day pain relief.

RecoveryRx® – provides cost effective reduced pain and inflammation and accelerate healing for post-operative surgery and wounds.

HealFast® Veterinary Therapy – The Company's veterinarian products are being sold by eMarkets Group, LLC in the retail pet and the veterinary market.

The Company's products are clinically proven, with 7 published clinical studies, and ongoing studies at Tufts Dental School, University of Chicago Medical School, Aarhus University Hospital, Denmark, University Hospital, Ghent Belgium, and Oxford University Hospital.

The accompanying financial statements are those of a development stage company. The Company has focused attention on international customers to expand its distributions and sales. The Company manages its United Kingdom operations and has established distribution agreements with international distributors to market and sell its products. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andrew Whelan, President) funded the operations and costs of product development. The Company has submitted a new market clearance application on August 7, 2015 that includes three clinical studies, two in chronic and one acute musculoskeletal pain. The consumer data from 5,000+ users with an average baseline Visual Analogue Scale (VAS) score of 8.1 (scale is 0-10) demonstrated a signicant reduction in chronic pain.

The company's patented Bioelectroceutical technology is unique in the market and has enormous potential for new products and applications to treat additional conditions generating growth for the future.

Market – Pain specialists now consider that chronic pain is a disease in its own right because there are demonstrable changes in the peripheral and central nervous system. Recent studies estimate the prevalence of chronic pain in the population to be about 20–40%, depending on how it is measured. According to the Institute of Medicine, one in three Americans experiences chronic pain (123 million adults in the U.S.) - more than the number affected by diabetes, heart disease and cancer combined.

Chronic musculoskeletal pain is the cause of 80-85% of all chronic pain; its incidence and prevalence will only increase with an aging population and the rise in obesity. Arthritis, once occurs, is irreversible, with

NOTE 1- NATURE OF BUSINESS (continued)

therapy focused on symptom reduction and maintenance of quality of life. Osteoarthritis is the cause of 85% of all arthritis. Chronic lower back pain with a prevalence of 23% is the leading cause of chronic pain and yet despite the negative impact on quality of life and enormous financial burden on the health care system and economy, chronic low back pain remains a notoriously difficult condition to treat. Only minority of people with chronic knee and hip pain go onto joint replacement to alleviate some of the symptoms; relief of pain is not guaranteed as 30% of people continue to suffer from chronic pain after knee replacements.

The high prevalence of chronic musculoskeletal pain is clear evidence of the ineffectiveness and inadequacy of the currently available therapeutic options. There are no consistent and dependably effective analgesic treatments for chronic musculoskeletal pain. Furthermore, despite the use of multiple drugs, medical interventions, surgery, and medical devices, the prevalence of chronic pain has been increasing.

The stark reality is that for the very significant percentage of the population, who suffer from moderate to severe chronic pain, there is no appropriate alternative therapy and they have to endure the effects of pain on their daily living activities. A safe, efficacious, simple to use, non-invasive, non-pharmacological therapy, provides a valuable additional new mode of chronic pain therapy and result in substantial public health benefits by reducing the burden of pain, the complications and cost of its treatment.

The BioElectronics device provides breakthrough technology that provides a clinically meaningful advantage over existing therapies. The ActiPatch® device retails for $30.00 for 720-hours of on/off therapy, is 100% safe and is 5x more effective than over-the-counter drugs. A key benefit of each of the products is portability, namely the complete mobility of the user while wearing the device. This portability feature of the product and mobility of the user enables a quicker functional return to regular activities resulting in less lost time from work, sports and other activities.

Summary of Evidence, Safety and Effectiveness

1. US FDA market clearance for the treatment of edema following blepharoplasty (approved for use over the eye and brain).

2. US FDA advisory panel meeting May 2013 recommended re-classification to class II for postoperative pain and edema. No ruling has currently been made.
   http://www.fda.gov/AdvisoryCommittees/Calendar/ucm346715.htm

3. Over the counter Class IIa market clearance in Canada, European Union (CE Mark) and multiple other countries for the treatment of musculoskeletal, postoperative and menstrual pain.

4. Randomized, Double Blind Placebo Controlled Trials (published):
   - Plantar Fasciitis: plantar-study-pdf The American College of Foot and Ankle Surgeons in *The Journal of Foot & Ankle Surgery* stated, "... worn on a nightly basis appears to offer a simple, drug-free, noninvasive therapy to reduce the pain associated with plantar fasciitis."
   - Breast Augmentation (Pectoral Muscle Pain Relief) *Aesthetics Plastic Surgery* – official journal of the European Assoc. of Societies of Aesthetic Plastic Surgery (EASAPS) and Sociedade Brasileira de Cirurgia Plastica (SBCP) BioElectronics-Postoperative-Pain.pdf The CDRH Medical Devices Advisory Committee and Orthopaedic and Rehabilitation Devices Panel's review of the literature on 5/21/13 noted that the "study did use valid pain assessments and report a reduction in post-operative pain, an effect that was supported by a reduction in the use of analgesic medications". Blepharoplasty: *Aesthetics Plastic Surgery*
   - Osteoarthritis knee (University Hospital George C Martin, Rheumatology Department, Messina, Italy) at 4 weeks showed statistically significant reductions in pain and WOMAC pain, stiffness and function in

the active group v placebo group. As well as significant decreases in knee swelling and pain perception – to be published summer 2015.

5. Randomized, Double Blind Placebo Controlled Trials (not published)
   - Menstrual Pain Study
   - Delayed Onset Muscle Soreness bicep muscle compared to acetaminophen (Tylenol)
   - A confirming clinical study (University British Columbia) on subjects with recalcitrant Plantar Fasciitis (average 29 months), with 6 month follow up showed significant improvements in pain and function (foot and ankle disability index) publication 2015.

6. Well-documented case histories (published)
   - Wound healing of Recalcitrant Ulcers **http://www.bielcorp.com/biel/wp-content/uploads/2013/03/BioElectronics-Chronic-Wound-Case-Series.pdf**: (published) International Wound Journal

7. Significant human experience with a marketed device

   - The publication of the results of the United Kingdom and Ireland Registry assessment of 5,000+ users in ***Pain Management,*** http://www.futuremedicine.com/doi/full/10.2217/PMT.15.35 The article reports the outstanding effectiveness of participants' use of the devices for back, knee and other muscle and joint pain for a range of medical conditions including osteoarthritis, rheumatoid arthritis, fibromyalgia, sports injuries, and post-surgical pain.
   - ActiPatch® Consumer **Follow Up** Surveys – shows sustained pain reductions of 53% in 72% of users and improvements in quality of life with 86% reporting a moderate to great improvement and 84% reporting decreased use of pain medications.
   - ActiPatch Marketed in 57 countries – 750,000 units sold; 40+ million treatments
   - "The Case for OTC Shortwave Therapy, Safe and Effective Devices for Pain Management" published in the January, 2014 issue of ***Pain Management***, author Ian Rawe, Ph.D. Director of Research, BioElectronics.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $17,453 at June 30, 2015 and December 31, 2014. Bad debt expense for the six months ended June 30, 2015 and June 30, 2014 was $(878) and $(11,058), respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the six months ended June 30, 2015 and June 30, 2014. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising expenses for the six months ended June 30, 2015 and June 30, 2014 were $408,855 and $101,853, respectively, and included in sales support expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred, along with staff dedicated to research and development. The Company incurred $205,618 and $194,539 for the six months ended June 30, 2015 and 2014, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the six months ended June 30, 2015 and 2014 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 in 2010, to 2,000,000,000 in 2011, to 3,000,000,000 in 2012, to 4,000,000 in 2013, to 7,000,000,000 in 2014, and to 8,000,000,000 in 2015. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $1,387,451 for the six months ended June 30, 2015, and a total net loss since inception of $26,464,978. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	June 30, 2015	December 31, 2014
Raw materials	$ 234,150	$ 258,781
Prepaid inventory	33,420	51,060
Finished goods	60,075	83,489
	$ 327,645	$ 393,330

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	June 30, 2015	December 31, 2014
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	168,870	161,639
Total property and equipment, net	$ 12,191	$ 19,422

For the six months ended June 30, 2015 and 2014, depreciation expense on property and equipment amounted to $7,231 and $7,650, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit was originally for $500,000 at a fixed interest rate of 5.07%, and has now been modified and extended, with the full amount borrowed as of June 30, 2015. For the six months ended June 30, 2015 and 2014, total interest expense on the line of credit amounted to $16,124 and $10,346, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Revolver Agreement

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The IBEX revolving convertible promissory note states the initial conversion price is $0.05 per share subject to adjustments for a) stock dividends or other distributions and subdividing or combining its common stock or common stock equivalents, b) sales or issuances of common stock or common stock equivalents at less than market value, defined as the average of the daily closing price for the 10 trading days before the market value date. The closing price is the last sale price, regular way, or the average of last bid and ask price, regular way, if there are no reported sales during that period on exchanges where shares are admitted to trading or listed, and if not available, the fair market price as reasonably determined by the Board of Directors, or c) if the Company issues shares of common stock to the holder which are not freely transferable at the time of issuance, in lieu of payment of indebtedness, the conversion price shall be discounted to reflect such restriction.

Any discount will be negotiated on a case by case basis between the holder and the Company to reflect current market conditions and both parties must expressly accept the discounted conversion price.

The conversion price on the related party convertible notes payable discussed below and the individual advances under the IBEX revolving convertible promissory note has generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

During the six months ended June 30, 2015 and 2014, IBEX sold $0 and $760,325, respectively of the Revolver's outstanding balance to external parties. These notes were subsequently converted into 1,396,694,318 shares in 2014, at conversion prices ranging from $.00018 to $.003 per share.

The balance of the Revolver as of June 30, 2015 and December 31, 2014 was $0 and $0, respectively.

IBEX Promissory Convertible Notes Payable

In addition to the Revolver as described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through June 2015, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 11,716,139,856 at December 31, 2014 to 12,236,810,120 at June 30, 2015.

During the six months ended June 30, 2015 and 2014, the Company borrowed $523,940 and $1,296,305, respectively, through additional promissory notes with IBEX. The balance on these notes as of June 30, 2015 and December 31, 2014 were $5,439,361 and $5,273,536, respectively.

Total interest expense, including amortization of the discount, incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the six months ended June 30, 2015 and 2014 was $213,512 and $158,629, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver Agreement. There were no related party loan conversions during the six months ended June 30, 2015 and 2014, respectively.

During the six months ended June 30, 2015 and 2014, the Company borrowed $150,000 and $92,675, respectively, through additional promissory notes with other related parties. Total interest expense for the six months ended June 2015 and 2014, was $93,071 and $100,104, respectively.

During 2012, the Company reached an agreement with the holders of the other related parties to extend the maturity of approximately $272,000 of notes for one year, as the Company did not have the cash to pay the Notes and all parties wishing to avoid having the Company be in default. In exchange for the extension of the convertible notes, the conversion price was lowered to $.002 per share. The extension of these convertible notes for a reduced conversion price led to a beneficial conversion feature. The total beneficial conversion feature on these notes, combined with the beneficial conversion feature on the IBEX notes payable was $33,905 upon conversion.

The balances on these other related party loans amounted to $2,880,359 at June 30, 2015 and $2,502,913 at December 31, 2015. Due to the new loans and the drop in stock prices, the corresponding shares to be issued on

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

the conversion of these other related party loans has increased from 5,393,518,265 at December 31, 2014 to 7,178,011,959 at June 30, 2015.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Six Months Ended June 30,	
Common Stock:	2015	2014
Weighted Average Number of Shares Outstanding - Basic	7,204,122,144	4,870,234,359
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	7,204,122,144	4,870,234,359
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	40,000,000	10,233,333
Options to Purchase Common Stock	793,700,000	333,700,000
	833,700,000	343,933,333

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 500 million shares in 2014. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

NOTE 9 – SHARE BASED COMPENSATION (continued)

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

In March 2014, the Company granted 210.0 million stock options to an Executive Vice President, with three tranches of 70.0 million each with prices ranging from $.0014 to $.015 per share, with each tranche exercisable on the first, second and third anniversaries of the grant, and each vesting over a three-year period.

In March 2014, the Company granted 250.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share (50% of market price).

No stock options were awarded in the first six months of 2015.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

In March 2014, the Company issued 40.0 million shares of restricted stock to an Executive Vice President, vesting in equal thirds on the first three anniversaries of the grant.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the six months ended June 30, 2015 because of a significant net operating loss carry-forward of approximately $26 million. The net operating losses expire in various years through 2034.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of June 30, 2015 and 2014, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the six months ended June 30, 2015 and 2014 amounted to $9,932 and $6,374, respectively. The balance due from eMarkets as of June 30, 2015 and December 31, 2014 was $287 and $617, respectively.

NOTE 14 – CONCENTRATIONS

As of June 30, 2015, approximately 95% of trade receivables was from five customers, and for the six months ended June 30, 2015, approximately 83% of sales revenue was from the top five customers. At June 30, 2015, 56% of accounts payable was with five vendors.

BioElectronics Corporation

(A Development Stage Company)

UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

Trading Symbol: BIEL
CUSIP Number: 09062H108

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

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BioElectronics Corporation (A Development Stage Company)
Balance Sheets
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 23,521	$ 45,342
Trade and other receivables, net	251,499	234,523
Inventory	349,912	393,330
Total current assets	624,932	673,195
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(171,664)	(161,639)
Property and equipment, net	9,397	19,422
Total assets	$ 634,329	$ 692,617
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 732,119	$ 482,361
Deferred revenue	28,760	18,014
Related party notes payable, current portion	6,102,152	2,058,447
Notes Payable	539,545	564,138
Total current liabilities	7,402,576	3,122,960
Long-term liabilities:		
Related party notes payable, net of discount	2,289,758	5,718,002
Total liabilities	9,692,334	8,840,962
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 10,000,000,000 and 7,000,000,000 shares authorized at September 30, 2015 and December 31, 2014, respectively, and 9,274,346,731 and 6,409,215,686 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	9,274,347	6,409,216
Additional paid-in capital	8,859,975	10,519,966
Deficit accumulated during the development stage	(27,192,327)	(25,077,527)
Total stockholders' deficiency	(9,058,005)	(8,148,345)
Total liabilities and stockholders' deficiency	$ 634,329	$ 692,617

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For the Three and Nine Months Ended September 30, 2015 and 2014
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Sales	$ 499,869	$ 231,174	$ 1,678,665	$ 677,454
Cost of Goods Sold	180,065	181,554	846,467	475,489
Gross profit	319,804	49,620	832,198	201,965
General and Administrative Expenses:				
Bad Debt Expense	46,170	(11,897)	45,292	(22,955)
Depreciation and Amortization	2,794	4,655	10,025	12,305
Investor Relations Expenses	83,580	69,927	203,206	160,087
Legal and Accounting Expenses	53,685	22,124	187,052	89,912
Sales Support Expenses	243,708	180,969	743,373	436,097
Research and Development	178,992	50,843	384,610	245,382
Other General and Administrative Expenses	283,914	300,341	904,834	974,371
Total General and Administrative Expenses	892,843	616,962	2,478,392	1,895,199
Loss from Operations	(573,039)	(567,342)	(1,646,194)	(1,693,234)
Interest Expense and Other, Net:				
Other Income(Expense)	-	(549)	-	(60)
Interest Expense	(154,310)	(155,482)	(468,606)	(409,653)
Total Interest Expense and Other, Net	(154,310)	(156,031)	(468,606)	(409,713)
Loss Before Income Taxes	(727,349)	(723,373)	(2,114,800)	(2,102,947)
Provision for Income Tax Expense	-	-	-	-
Net loss	$ (727,349)	$ (723,373)	$ (2,114,800)	$ (2,102,947)
Net loss Per Share - Basic and Diluted	$ (0.0001)	$ (0.0001)	$ (0.0003)	$ (0.0004)
Weighted Average Number of Shares Outstanding - Basic and Diluted	8,636,687,667	6,049,205,179	7,841,781,209	5,038,863,913

BioElectronics Corporation (A Development Stage Company)
Statements of Cash Flows
For the Nine Months Ended September 30, 2015 and 2014
(Unaudited)

	September 30, 2015	September 30, 2014
Cash Flows From Operating Activities:		
Net Loss	$ (2,114,800)	$ (2,102,947)
Adjustment to Reconcile Net Loss to		
Net Cash Used in Operating Activities:		
Depreciation and amortization	10,025	12,305
Provision for bad debts	45,292	-
Non-cash expenses	140,000	72,397
Non-cash interest related to related party notes payable	469,692	394,125
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Trade and other receivables	(62,268)	(48,035)
Inventory	43,418	142,470
Increase (Decrease) in:		
Accounts payable and accrued expenses	268,749	(263,546)
Deferred revenue	10,746	(76,932)
Net Cash Used In Operating Activities	(1,189,146)	(1,870,163)
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(11,050)
Net Cash Used In Investing Activities	-	(11,050)
Cash Flows From Financing Activities		
Payments on note payable	(30,834)	-
Payments on related party notes payable	(70,826)	-
Proceeds from related party notes payable	1,223,985	1,855,499
Proceeds from notes payable	45,000	-
Net Cash Provided By Financing Activities	1,167,325	1,855,499
Net Increase (Decrease) In Cash	(21,821)	(25,714)
Cash- Beginning of Period	45,342	28,603
Cash- End of Period	$ 23,521	$ 2,889
Supplemental Disclosures Of Cash Flow Information:		
Cash paid during the periods for interest	$ 15,931	$ 15,528
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 1,114,390	$ 1,927,515
Issuance of convertible debt with beneficial conversion interest	$ 53,413	$ -
Conversion of warrants into common stock	$ -	$ -
Equipment purchases financed through capital leases and notes payable	$ -	$ -

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. The Company is the developer, marketer and manufacturer of patented, inexpensive, drug-free, topical pain medical devices. The devices consist of a microchip, battery and antenna that deliver the therapy. The devices provide 30 days of continuous pain relief for the following applications: (1) Back; (2) Neck; (3) Knee; (4) Wrist and Elbow; (5) Smart Insole™ for Heel Pain; (6) Allay® Menstrual Cycle Pain Therapy and RecoveryRx® for post-operative and chronic wound care.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants, nonvested restricted shares, stock options, and allowance for doubtful accounts receivable. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $73,622 and $17,453 at September 30, 2015 and December 31, 2014, respectively. Bad debt expense for the nine months ended September 30, 2015 and September 30, 2014 was $45,292 and $(22,955), respectively.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenue recognition criteria have been met. No allowance for sales returns is required for the nine months ended September 30, 2015 and September 30, 2014. Defective units are replaced at the request of the customer.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising expenses for the nine months ended September 30, 2015 and September 30, 2014 were $611,071 and $214,044, respectively, and included in sales support expenses.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No, 109, "Accounting for Income Taxes." SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided to offset any deferred tax assets that may not be realized.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred, along with staff dedicated to research and development. The Company incurred $384,610 and $245,382 for the nine months ended September 30, 2015 and 2014, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the nine months ended September 30, 2015 and 2014 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 in 2010, to 2,000,000,000 in 2011, to 3,000,000,000 in 2012, to 4,000,000 in 2013, to 7,000,000,000 in 2014, and to 10,000,000,000 in 2015. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments are likely to promptly sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,114,800 for the nine months ended September 30, 2015, and a total net loss since inception of $27,192,327. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	September 30, 2015	December 31, 2014
Raw materials	$ 197,164	$ 258,781
Prepaid inventory	48,945	51,060
Finished goods	103,803	83,489
	$ 349,912	$ 393,330

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	September 30, 2015	December 31, 2014
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	171,664	161,639
Total property and equipment, net	$ 9,397	$ 19,422

For the nine months ended September 30, 2015 and 2014, depreciation expense on property and equipment amounted to $10,025 and $12,305, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit was originally for $500,000 at a fixed interest rate of 5.07%, and has now been modified and extended, with the line of credit set at $485,000 and the September 30, 2015 balance including accured interest at $494,293. For the nine months ended September 30, 2015 and 2014, total interest expense on the line of credit amounted to $18,739 and $15,528, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Convertible Notes Payable

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. Beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per year. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements.

The conversion price on the IBEX notes have generally been 50% or less of the pink sheet closing price of the common stock on the date the notes were issued, to reflect the restricted nature of the stock for which the notes could be converted, and the Board of Directors' belief that the closing proce is not necessarily reflective of the fiar market value of the common stock, due to the price volatility, and the lack of an active trading market to establish the value of the shares. The Board of Directors is active in negotiating conversion prices for each issuance, and takes into consideration all information in establishing the issuance date conversion price.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through September 2015, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. While IBEX sold notes valued at $1,056,640 during the nine months ended September 2015 to third parties, with most of those third parties converting those notes into common shares, the Company continued to borrow from IBEX, with new borrowings totaling $898,860 during the nine months ended September 30, 2015. Due to the continued borrowing from IBEX, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 11,716,139,856 at December 31, 2014 to 12,161,135,052 at September 30, 2015.

During the nine months ended September 30, 2015 and 2014, the Company borrowed $898,860 and $1,703,305, respectively, through additional promissory notes with IBEX. The balance on these notes as of September 30, 2015 and December 31, 2014 were $5,364,682 and $5,273,536, respectively.

Total interest expense on the IBEX convertible promissory notes payable for the nine months ended September 30, 2015 and 2014 was $319,572 and $297,648, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

Other Related Party Convertible Notes Payable

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the other related party promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX notes. There were no related party loan conversions during the nine months ended September 30, 2015 and 2014, respectively.

During the nine months ended September 30, 2015 and 2014, the Company borrowed $374,375 and $92,675, respectively, through additional promissory notes with other related parties. Total interest expense for the nine months ended September 30, 2015 and 2014, was $150,120 and $131,569, respectively.

The balances on these other related party loans amounted to $3,027,408 at September 30, 2015 and $2,502,913 at December 31, 2014. Due to the new loans and the drop in stock prices, the corresponding shares to be issued on the conversion of these other related party loans has increased from 5,393,518,265 at December 31, 2014 to 7,088,010,308 at September 30, 2015.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Six Months Ended June 30,	
Common Stock:	2015	2014
Weighted Average Number of Shares Outstanding - Basic	7,204,122,144	4,870,234,359
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	7,204,122,144	4,870,234,359
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	40,000,000	10,233,333
Options to Purchase Common Stock	793,700,000	333,700,000
	833,700,000	343,933,333

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further

NOTE 9 – SHARE BASED COMPENSATION (Continued)

amended to 300 million shares in 2013, and 500 million shares in 2014. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

In March 2014, the Company granted 210.0 million stock options to an Executive Vice President, with three tranches of 70.0 million each with prices ranging from $.0014 to $.015 per share, with each tranche exercisable on the first, second and third anniversaries of the grant, and each vesting over a three-year period.

In March 2014, the Company granted 250.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share (50% of market price).

No stock options were awarded in the first nine months of 2015.

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

In March 2014, the Company issued 40.0 million shares of restricted stock to an Executive Vice President, vesting in equal thirds on the first three anniversaries of the grant.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended Sepember 30, 2015 because of a significant net operating loss carry-forward of approximately $27 million. The net operating losses expire in various years through 2034.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of September 30, 2015 and 2014, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses, notes payable and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the nine months ended September 30, 2015 and 2014 amounted to $10,543 and $10,337, respectively. The balance in accounts receivable from eMarkets as of September, 2015 and December 31, 2014 was $0 and $617, respectively.

NOTE 14 – CONCENTRATIONS

As of September 30, 2015, 92% of gross trade receivables was from two customers, and for the nine months ended September 30, 2015, 85% of sales revenue was from the top five customers. Approximately 60% of all sales for the nine months ended September 30, 2015 were in the United Kingdom.

As of September 30, 2015, 59% of accounts payable was with six vendors. For the nine months ended September 30, 2015, all inventory purchases were from three vendors.

BioElectronics Corporation

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Trading Symbol: BIEL
CUSIP Number: 09062H108

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

Table of Contents

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BioElectronics Corporation
Balance Sheets
(Unaudited)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 144,443	$ 45,342
Trade and other receivables, net	254,265	234,523
Inventory	593,885	393,330
Total current assets	992,593	673,195
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(172,595)	(161,639)
Property and equipment, net	8,466	19,422
Total assets	$ 1,001,059	$ 692,617
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 648,407	$ 482,361
Deferred revenue	141,860	18,014
Related party notes payable, current portion	4,247,673	2,058,447
Notes Payable	699,737	564,138
Total current liabilities	5,737,677	3,122,960
Long-term liabilities:		
Related party notes payable, net of discount	4,118,671	5,718,002
Total liabilities	9,856,348	8,840,962
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 15,000,000,000 and 7,000,000,000 shares authorized at December 31, 2015 and December 31, 2014, respectively, and 10,714,191,541 and 6,409,215,686 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	10,714,191	6,409,216
Additional paid-in capital	7,978,011	10,519,966
Deficit accumulated during the development stage	(27,547,491)	(25,077,527)
Total stockholders' deficiency	(8,855,289)	(8,148,345)
Total liabilities and stockholders' deficiency	$ 1,001,059	$ 692,617

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

BioElectronics Corporation
Income Statements
For the Years Ended December 31, 2015 and 2014
(Unaudited)

	2015	2014
Sales	$ 2,339,646	$ 1,289,896
Cost of Goods Sold	997,946	744,816
Gross profit	1,341,700	545,080
General and Administrative Expenses:		
Bad Debt Expense	45,292	5,175
Depreciation and Amortization	10,956	16,683
Investor Relations Expenses	148,632	173,657
Legal and Accounting Expenses	232,558	159,414
Sales Support Expenses	1,068,332	988,931
Research and Development	506,424	360,449
Other General and Administrative Expenses	1,134,047	914,142
Total General and Administrative Expenses	3,146,241	2,618,451
Loss from Operations	(1,804,541)	(2,073,371)
Interest Expense and Other:		
Interest Expense	(668,822)	(603,958)
Other Income(Expenses)	3,399	-
Total Interest Expense and Other, Net	(665,423)	(603,958)
Loss Before Income Taxes	(2,469,964)	(2,677,329)
Provision for Income Tax Expense	-	-
Net loss	$ (2,469,964)	$ (2,677,329)
Net loss Per Share - Basic and Diluted	$ (0.0003)	$ (0.0006)
Weighted Average Number of Shares Outstanding - Basic and Diluted	8,561,703,614	4,836,167,956

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

BioElectronics Corporation
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

(Unaudited)

	2015	2014
Cash Flows From Operating Activities:		
Net Loss	$ (2,469,964)	$ (2,677,329)
Adjustment to Reconcile Net Loss to		
Net Cash Used in Operating Activities:		
Depreciation and amortization	10,956	16,683
Provision for bad debts	45,292	5,175
Non-cash expenses	110,473	154,820
Non-cash interest related to notes payable	35,183	6,388
Non-cash interest related to related party notes payable	633,639	581,102
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Trade and other receivables	(205,848)	(119,383)
Inventory	(200,555)	323,573
Increase (Decrease) in:		
Accounts payable and accrued expenses	166,046	(199,206)
Deferred revenue	123,846	(106,022)
Net Cash Used In Operating Activities	(1,750,932)	(2,014,199)
Cash Flows Used In Investing Activities		
Acquisition of property and equipment	-	(11,050)
Cash Flows From Financing Activities		
Proceeds from note payable	185,000	116,500
Payments on note payable	(26,834)	-
Proceeds from related party notes payable	1,743,583	1,925,488
Other	(51,716)	-
Net Cash Provided By Financing Activities	1,850,033	2,041,988
Net Increase (Decrease) In Cash	99,101	16,739
Cash- Beginning of Period	45,342	28,603
Cash- End of Period	$ 144,443	$ 45,342
Supplemental Disclosures Of Cash Flow Information:		
Cash paid during the periods for interest	$ 26,834	$ 16,468
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 1,871,962	$ 2,111,472

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

BioElectronics Corporation
Notes to Financial Statements
(Unaudited)

NOTE 1- NATURE OF BUSINESS

BioElectronics Corporation is the leading commercial stage company in the field of non-invasive electroceutical medical devices. The devices are small, lightweight, and wearable that produces a pulsating electromagnetic field that affects cells and nerves to treat acute and chronic pain. The leading product ActiPatch Therapy is a drug-free, safe, and effective chronic pain therapy that reduces inflammation and pain by 57% and medication use by 50%. 48% of the UK users take opioids for chronic pain and 76% have experienced a moderate to complete elimination of the opioids.

ActiPatch therapy is the leading analgesic in Walgreens/Boots in the UK. The Company is aggressively pursuing US FDA over-the-counter market clearance to access the United States market.

Chronic Pain 20% of adults globally suffers from chronic pain. The chronic pain market is larger than diabetes, heart disease, and cancer combined. ActiPatch is an over-the-counter $30.00 medical device, which addresses the unmet need for 1.5 billion worldwide chronic pain sufferers. Chronic pain modifies the way the central nervous system works. The modification results in an increase in pain perception from less provocation. The technology of the ActiPatch modulates the body's nerve activity to dampen the pain perception, which reduces drug use. Ken McLeod, PhD. Director of Clinical Science and Engineering Research, Binghamton University Sate University of New York short video explains how the technology and ActiPatch work at http://actipatch.com/why-actipatch/. The technology has the potential to become the standard of care to be used throughout the healthcare continuum across the OTC and healthcare markets. BioElectronics technology offers significant opportunities in menstrual pain, heel pain, migraine headaches, diabetic neuropathy, postoperative surgery, chronic wounds, bone growth stimulation, and other applications.

US FDA OTC Market Clearance: BioElectronics and its consulting regulatory attorneys are confident that US market clearance can be achieved based on the filed data. The devices have recently been reclassified from Class III risk down to a Class II. The devices are approved for home use in the EU, Canada, and Australia and the Company has sold 1 million devices. Statistically significant and clinically meaningful pain reduction has been demonstrated in the three submitted ActiPatch random clinical trials, two in chronic and one acute musculoskeletal pain. Additionally we have included in the application the medical journal Pain Management published our 5,000+ survey results A UK registry study of the effectiveness of a new over-the-counter chronic pain therapy, Pain Manag. 2015 Nov; 5(6): 413-23, http://www.futuremedicine.com/doi/full/10.2217/PMT.15.35 reported an average baseline Visual Analogue Scale (VAS) score of 8.02 (scale is 0-10) and 2/3 of participants had more than 57% pain relief and the following long-term results:

- 2/3 (including opioid users) reported moderate to complete elimination of pain medications;
- 2/3 reported improved sleep;
- 3/4 reported increased physical activity; and,
- 4/5 a substantial improvement in overall quality of life

The consumer data demonstrates a consistent clinically meaningful effect in chronic musculoskeletal pain from a variety of etiologies (osteoarthritis, rheumatoid arthritis, fibromyalgia, post-surgical, neuropathic) affecting different regions of the body (back, hip, knee, wrist, elbow, and shoulder).

Demonstrates Marketability to Consumers the Company has Try and Tell sales and marketing campaign has won the OTC Bulletin "Best OTC Marketing Campaign on a Small Budget" award. Current chronic pain therapies do not meet the need for chronic pain relief and sufferers are skeptical. To overcome the skepticism and accelerate product acceptance, we promote a discounted 7-Day Trial device without an on/off switch. 65% of testers averaged a 57% reduction in pain and said they "intended" to or would "maybe" purchase and 80% did purchase an average of 1.75 devices within 90-days. After one year, the users purchased an average of 2.7 devices.

BioElectronics Corporation
Notes to Financial Statements
(Unaudited)

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, product design changes, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in the United Kingdom, Singapore, Malaysia, Canada, Scandinavia, Australia, and South America. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases and minimum inventory requirements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Development Stage Company

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, "Development Stage Entities", the Company is devoting substantially all of its present efforts to developing its business. The Company has not yet commenced one of its planned principal activities, the sale of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less as cash equivalents.

Trade Receivables

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $71,827 and $5,480 at December 31, 2015 and December 31, 2014, respectively. Bad debt expense for the years ended December 31, 2015 and 2014 was $45,292 and $5,175, respectively.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method. Market is current replacement cost.

Revenue Recognition

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due on a net basis in 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the years ended December 31, 2015 and 2014. Defective units are replaced at the request of the customer.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

Advertising Costs

The Company expenses the costs associated with advertising as incurred, except if costs are for the production of advertisements that have not yet been broadcast. These advertising costs are recorded as prepaid expenses and amortized over a one-year period beginning when the advertisements are aired. Advertising expenses for the years ended December 31, 2015 and 2014 were $845,840 and $370,860, respectively, and included in sales support expenses. There was no value recorded to prepaid advertising as of December 31, 2015 and 2014, and no value recorded to amortization expense for prepaid advertising for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Research and Development

Research and development costs include the costs of clinical studies, which are expensed as incurred, along with staff dedicated to research and development. The Company incurred $506,424 and $360,449 in the years ended December 31, 2015 and 2014, respectively.

Stock Incentive Plans and Other Share-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

Net Loss per Share

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings per Share", which requires the presentation of basic and diluted net loss per share on the face of the Statement of Operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the years ended December 31, 2015 and 2014 the Company reported net losses, and as a result there is no difference between basic and diluted shares for each of the years presented.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Issuance Of Stock For Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to the value of consideration received, which has been determined to be a more readily determinable fair value than the fair value of the common stock. The majority of the non-cash consideration pertains to services rendered by consultants and vendors. The fair value of the services received was used to record the related expense in the statement of operations and fair value was attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with further increases to 1,500,000,000 in 2010, to 2,000,000,000 in 2011, to 3,000,000,000 in 2012, to 4,000,000 in 2013, to 7,000,000,000 in 2014, and to 15,000,000 in 2015. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments can sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company has incurred substantial losses from operations. The Company sustained a net loss of $2,450,249 for the year ended December 31, 2015, and a total net loss since inception of $27,527,776. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, U.S. FDA approval and to maintain operations, and thus there is substantial doubt of the Company's ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	December 31, 2015	December 31, 2014
Raw materials	$ 361,868	$ 258,781
Prepaid inventory	82,287	51,060
Finished goods	149,730	83,489
	$ 593,885	$ 393,330

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	December 31, 2015	December 31, 2014
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	172,595	161,639
Total property and equipment, net	$ 8,466	$ 19,422

For the years ended December 31, 2015 and 2014, depreciation expense on property and equipment amounted to $10,956 and $16,683, respectively.

NOTE 6 – LINE OF CREDIT

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States. The line of credit was for $500,000 at a fixed interest rate of 3.99%, with the amount borrowed owed in full in May 2014. This line of credit has been extended, and as of December 2015, the full line of credit of $500,000, at a current interest rate of 5.23% was utilized, with the full amount payable, including interest, amounting to $502,189. For the years ended December 31, 2015 and 2014, total interest expense on the line of credit amounted to $26,834 and $20,000, respectively.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Promissory Convertible Notes Payable

IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2%, and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock.

The above-described revolving note payable was fully paid by the Company as of December 31, 2014. IBEX sold $760,325 of the outstanding balances during 2014 to external parties. These notes were subsequently converted into 1,396,694,318 shares in 2014, at conversion prices ranging from $.00018 to $.003 per share.

In addition to the revolving note described above, beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

the Company's personal property and intellectual property, and all proceeds or replacements as collateral for the convertible promissory note agreements. The Security Agreement has been subordinated to the EXIM Bank.

The conversion prices on the convertible notes payable, along with the advances under the IBEX revolving convertible promissory note, have generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors' belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, and lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

On August 31, 2011, the date of maturity for notes payable of $519,920, the Company did not have sufficient cash on hand to pay the amount due, so the Company and issuer entered into an agreement to change the conversion price of the note to the market price of the restricted shares. The Conversion Price was thus changed from the original amount of $.019 per share to $.015 per share, the share market price on that date. The maturity date on the note agreement was extended to September 30, 2015, with a new conversion price of $.0008 per share.

Starting in 2012 and continuing through December 2015, the Company extended the maturity dates by one year and two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the
original note issuances, offset by the sales of IBEX notes during 2015, the corresponding shares to be issued on the conversion of these IBEX notes has increased from 11,716,139,856 at December 31, 2014, to 11,955,316,378 at December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company borrowed $1,359,000 and $1,899,305, respectively, through additional promissory notes with IBEX.

Total interest expense on the IBEX convertible promissory notes payable for the years ended December 31, 2015 and 2014 was $413,332 and $359,705, respectively.

The balance of the IBEX related party notes payable amounted to $5,251,815 and $5,273,536 as of December 31, 2015 and 2014, respectively.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Other related parties consist of Robert Whelan and Janel Zaluski, the son and daughter of the President, Mary Whelan, the sister of the President, St. John's LLC, which is owned by family members of the President, and Richard Staelin, who is Chairman of the Board of Directors.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver Agreement. There were no related party loan conversions during the years ending December 31, 2015 and 2014.

During the years ended December 31, 2015 and 2014, the Company borrowed $391,309 and $164,022, respectively, through additional promissory notes with other related parties.

Due to the drop in stock prices since the original note issuances, and the new notes, the corresponding shares to be issued on the conversion of these other related party loans has increased from 5,393,518,265 at December 31, 2014 to 7,790,977,668 at December 31, 2015.

Total interest expense on the other related party promissory notes payable for the years ended December 31, 2015 and 2014 was $220,307 and $221,397, respectively.

The balance of the other related party notes payable amounted to $3,114,529 and $2,502,913 as of December 31, 2015 and 2014, respectively.

NOTE 8 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Year Ended December 31,	
Common Stock:	2015	2014
Weighted Average Number of Shares Outstanding - Basic	8,561,703,614	4,836,167,956
Effect of Dilutive Securities:		
Options and Warrants	-	-
Weighted Average Number of Shares Outstanding - Diluted	8,561,703,614	4,836,167,956
Options and Shares Not Included Above (Antidilutive)		
Nonvested and Vested Restricted Share Awards	40,000,000	40,000,000
Options to Purchase Common Stock	793,700,000	793,700,000
	833,700,000	833,700,000

NOTE 9 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons.

The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. In 2012 the plan was amended to 200 million shares available for future grant, further amended to 300 million shares in 2013, and 500 million shares in 2014. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

Stock Option Awards

On September 1, 2011, the Company granted stock options to a third party vendor with a grant date fair value of $0.005 per share. The exercise price is $0.005 per share with a term of ten years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In January 2012, the Company granted 55.0 million stock options with an exercise price of $0.0029 per share, with immediate vesting. The option awards were granted with an exercise price slightly less than the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant.

On August 29, 2012, the Company granted stock options to employees of the Company, the Chairman of the Board and a shareholder of the Company with a grant date fair value of $0.0029 per share. The exercise price is $0.0022 per share with a term of five years and a three year vesting period, with one-third of the options vesting on each anniversary date after the initial date of grant. The option awards were granted with an exercise price equal to the Company's closing bid price on the Over-the-Counter Pink Sheets on the date of grant, discounted fifty percent for lack of marketability, which was deemed to be fair value.

In April 2013, the Company granted 85.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share. The exercise price is at a discount of around 50% relative to the market price of $0.0031 per share.

In December 2013, the Company granted 90.0 million stock options to employees of the Company, with a grant date exercise price of $0.0007 per share. The exercise price is at a discount of around 13% relative to the market price of $0.0008 per share.

In March 2014, the Company granted 210.0 million stock options to an Executive Vice President, with three tranches of 70.0 million each with prices ranging from $.0014 to $.015 per share, with each tranche exercisable on the first, second and third anniversaries of the grant, and each vesting over a three-year period.

In March 2014, the Company granted 250.0 million stock options to employees of the Company, with a grant date exercise price of $0.0015 per share (50% of market price).

Stock options	Shares	Weighted-average grant date fair value
Balance at December 31, 2014	793,700,000	$ 0.0052
Granted	-	-
Vested	-	-
Forfeited	-	-
Balance at December 31, 2015	793,700,000	$ 0.0052

Compensation expense related to the stock options during the years ended December 31, 2015 and 2014 was $0 and $107,818, respectively.

NOTE 9 – SHARE BASED COMPENSATION (Continued)

Nonvested Restricted Share Awards

In prior years, the Company also issued nonvested restricted share awards to directors, consultants and employees. The nonvested restricted share awards vest over a three year period based on the requisite service period. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company's common stock on the date of grant discounted by 50 percent based on the restricted nature of the stock, the volatility in the market and other variables taken into account by the Board of Directors in determining the fair value of the restricted share awards.

Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. After shares are vested, they will be issued upon the request of the grantee.

In March 2014, the Company issued 40.0 million shares of restricted stock to an Executive Vice President, with all restricted shares becoming fully vested during 2015.

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2014	40,000,000	$ 0.0047
Granted	-	-
Vested	(40,000,000)	0.0047
Forfeited	-	-
Balance at December 31, 2015	-	$ -

Total compensation cost related to the restricted stock awards granted was $70,501 and $23,499 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 – INCOME TAXES

The Company has not provided for income tax expense for the year ended December 31, 2015 because of a significant net operating loss carry-forward of approximately $27 million. The net operating losses expire in various years through 2035.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of December 31, 2015 and 2014, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 11 – FAIR VALUE MEASUREMENTS

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable and accrued expenses and related party notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the Board of Directors and sister of the company's President. The agreement provides for eMarkets to be the exclusive distributor of the veterinary products of the Company to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenue from eMarkets for the years ended December 31, 2015 and 2014 amounted to $16,713 and 13,759, respectively. The balance due from eMarkets as of December 31, 2015 and 2014 was $5,945 and $617, respectively.

NOTE 14 – CONCENTRATIONS

As of December 31, 2015, approximately 80% of trade receivables was from three customers. For the year ended December 31, 2015 approximately 67% of sales was from five customers, with one customer accounting for 40% of total sales.

As of December 31, 2015, approximately 53% of accounts payable was for five vendors.

A geographic breakdown of sales is summarized below:

	United States	United Kingdom	Other Foreign	Total Sales
2015	$ 66,380	$ 1,471,458	$ 801,808	$ 2,339,646
	3%	**63%**	**34%**	**100%**
2014	$ 75,556	$ 405,929	$ 808,411	$ 1,289,896
	6%	**31%**	**63%**	**100%**

NOTE 15 – SUBSEQUENT EVENTS

In February 2016, the Securities and Exchange Commission instituted public administrative and cease-and-desist proceedings, pursuant to Section 8A of the Securities Act of 1933, against the Company, its President, and a major debtholder. It appears that the SEC objects to some of the Company's s convertible note sales, and is claiming improper timing of two sales transactions during the fiscal year 2009. The Company maintains that all note sales were to qualified investors in accordance with SEC Rule 144 and held for longer than the SEC mandated holding period. The Company also believes that it properly accounted for the sales transactions in 2009, which were validated by an independent auditor. While the outcome is uncertain at this time, the Company is confident that its actions were in compliance with SEC requirements, and the respondents will be properly vindicated.

Board of Directors

Richard Staelin, Ph. D. - Chairman of the Board of Directors

Dr. Staelin joined the Board of Directors in 2005 and has served as Chairman since 2009. He is a Professor at ' School of Business, Duke University. Past Executive Director of Marketing at the Science Institute and has hel numerous positions at the American Marketing Association (AMA) and The Institute of Management Science (was the editorial board member of Marketing Science, Journal of Marketing Research, the Journal of Marketi Journal of Consumer Psychology and the Journal of Consumer Research.He has also consulted for the FDA a

Andrew J. Whelan - President & CEO

Mr. Whelan is a founder of the Company and has served as the President and Chairman of the Board of Direct April 2000 - 2005. He is a seasoned business executive with a strong financial, consulting and management b From 1993 to April 2000, Mr. Whelan served as the President of P.A. Whelan & Company, Inc., a consulting firm Mr. Whelan and his wife that specialized in the health care industry. Mr. Whelan was also a founder of Drug C Inc., a chain of managed care retail pharmacies, where he served as President and Chief Executive Officer fro until 1993. Drug Counters was sold to Diagnostek, Inc. in 1994. From 1984 until 1992, Mr. Whelan served as Cl the Board of Directors and President of Physicians' Pharmaceutical Services, Inc., a public company of which founder. Physicians Pharmaceutical Services was a charter member of the Maryland Chapter of "Inc's Fastes Companies in America." Mr. Whelan received his B.S. in accounting from St. Peter's College.

Mary K. Whelan - Director

Ms. Whelan has served as a director of the Company since April 2002. Ms. Whelan also served as Vice Presider Marketing from September 2002 until July 2003 and as Secretary from February 2002 until September 2004. I currently is President of eMarkets Group, a marketing and sales company which distributes the HealFast The

product line. She was previously EVP at mPhase Technologies. She worked more than 20 years at AT&T Corp Technologies, Inc. and Bell Labs. During that time Ms. Whelan successfully launched many high technology p Ms. Whelan served as Vice President – eBusiness at Lucent Technologies. Prior to that, Ms. Whelan was Lucen President – Strategic Communications and Market Operations, in which capacity she was responsible for Luc Technologies' global marketing operations, including marketing communications and customer programs, a global sales support environment for the worldwide sales force. That environment included channel develop training, recognition and compensation. Ms. Whelan has extensive experience in all aspects of marketing anc relations at AT&T. She also had P&L responsibility for AT&T's Directory business. Ms. Whelan is the sister of Ar Whelan.

ABOUT US

BioElectronics Corporation, headquartered in Frederick, Maryland, USA, is the leading company in the field on non-invasive electroceutical medical devices.

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Management Team

Andrew J. Whelan - President & CEO

Mr. Whelan is a founder of the Company and has served as the President from April 2000 - 2005. He is a seaso business executive with a strong financial, consulting and management background. From 1993 to April 200 Whelan served as the President of P.A. Whelan & Company, Inc., a consulting firm owned by Mr. Whelan and h specialized in the health care industry. Mr. Whelan was also a founder of Drug Counters, Inc., a chain of man retail pharmacies, where he served as President and Chief Executive Officer from 1992 until 1993. Drug Count sold to Diagnostek, Inc. in 1994. From 1984 until 1992, Mr. Whelan served as Chairman of the Board of Direct President of Physicians' Pharmaceutical Services, Inc., a public company of which he was a founder. Physici Pharmaceutical Services was a charter member of the Maryland Chapter of "Inc.'s Fastest Growing Companie America." Mr. Whelan received his B.S. in accounting from St. Peter's College.

Adam Staelin - VP Sales and Marketing

Mr. Staelin has 20 years of sales and marketing experience across a variety of industries including direct mail, digital media and men's apparel. For the past 10 years, Mr. Staelin has worked with start-up companies leadi their sales, marketing and social media efforts. He also brings a wealth of experience from large companies, l management roles at Teradata and Valassis. During his time with Teradata, Staelin lead the marketing develc key CRM application. While at Valassis, he was co-responsible for a 4 branch, 90 Sales Rep and 140MM Regio Staelin has a BA in Psychology from Duke University and a MBA from the Fuqua School of Business at Duke U

William Monn - VP Production

Mr. Monn has over 30 years of experience in production management. As the Production Manager for Structu Inc., he ensured timely shipments to customers, quality control and implemented safety and performance st

the Plant Manager for Hartz & Company, he led production improvements and initiatives that resulted in an c quality reputation. He trained and supervised a staff of 347 and analyzed and improved departmental opera resulting in a 15% increase in productivity. Mr. Monn was the Production and Quality Assurance Manager of I Wholesale LTD where he managed warehouse operations.

John M. Martinez - Senior Engineer

Mr. Martinez has served as Senior Engineer of the Company since April 2002. Mr. Martinez holds a Bachelors c Science degree in Electronics Engineering Technology from ITT Technical Institute where he graduated with h honors, and has worked exclusively in the electronics-engineering field for over ten years. His dedication anc experience in multiple fields of engineering, including electronic, electromechanical, computer and commun systems, represent the foundation of his engineering talents. Mr. Martinez was the co-founder of MW Engine where he served as Senior Engineering Director from 1999 until April 2002. As Senior Engineering Director, M was in charge of all of MW Engineering's hardware, firmware and software development.

Dr. Ian Rawe - Director of Clinical Research

Dr. Rawe obtained a Bachelor's Degree in Biology, at the University of Hertfordshire and a Ph.D. in Biophysics Open University, Oxford, UK studying wound healing of the cornea. Dr. Rawe has extensive research experier spending 15 years conducting research on eye disease at Harvard Medical School. He brings expertise in des implementing research studies and publishing research articles. His role in the company will be to publish co research studies, design and develop clinical trials utilizing the company's technology. His experience in writ obtaining grants from the NIH will allow the company to apply for small business innovation and research fu the NIH SBIR/SBTT grant program.

Sree N. Koneru, Ph. D - Director of Electroceutical Research

Dr. Koneru as a doctorial candidate at New York State University, Binghamton, NY researched and document physiological response of pulsed radiofrequency fields for the development of advanced electroceutical devi Koneru conducts biomedical research and new product development.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
BioElectronics Corporation
Frederick, Maryland

We have audited the accompanying balance sheets of BioElectronics Corporation (A Development Stage Company) as of December 31, 2009 and 2008 and the related statements of operations, changes in stockholders' deficiency and cash flows for the three year period ended December 31, 2009 and for the period from April 10, 2000 (Inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards required that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioElectronics Corporation as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the three year period ended December 31, 2009 and for the period from April 10, 2000 (Inception) to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has substantial losses from operations which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also discussed in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Berenfeld Spritzer Shechter & Sheer, LLP
Fort Lauderdale, Florida
March 31, 2010

BioElectronics Corporation (A Development Stage Company)
Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 296,352	$ 55,278
Trade and other receivables, net	402,003	68,878
Inventory	201,359	65,092
Due from related party	165,297	-
Prepaid expenses and others	102,635	5,791
Total current assets	1,167,646	195,039
Property and equipment	93,502	93,502
Less: Accumulated depreciation	(79,921)	(65,342)
Property and equipment, net	13,581	28,160