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	$ -	$ -

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.