BioElectronics Corporation

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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
Balance Sheets
(Unaudited)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 925	109,612
Trade and other receivables, net	57,699	163,841
Inventory	25,262	151,714
Total current assets	83,886	425,167
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(181,061)	(181,061)
Property and equipment, net	-	-
Total assets	$ 83,886	$ 425,167
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	$ 647,844	734,970
Accrued expenses	1,116,351	1,097,116
Deferred revenue	94,598	537,774
Related party notes payable, current portion	2,724,441	5,298,694
Notes payable, current portion	1,347,970	1,174,624
Total current liabilities	5,931,204	8,843,178
Noncurrent liabilities:		
Related party notes payable	8,858,116	6,382,443
Notes payable	412,070	321,638
Total noncurrent liabilities	9,270,186	6,704,081
Total liabilities	15,201,390	15,547,259
Stockholders' deficiency:		
Common stock, and additional paid-in capital(discount), par value $0.001; 25 billion shares authorized; 24,378,828,919 and 24,134,783,986 shares outstanding as of December 31, 2021, and December 31, 2020, respectively.	23,188,973	23,124,260
Accumulated deficit	(38,306,477)	(38,246,352)
Total stockholders' deficiency	(15,117,504)	(15,122,092)
Total liabilities and stockholders' deficiency	$ 83,886	$ 425,167

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BioElectronics Corporation
Statements of Operations
For the Years Ended December 31, 2021 and 2020
(Unaudited)

	2021	2020
Sales	$ 1,609,460	$ 829,563
Cost of Goods Sold	813,928	323,391
Gross profit	795,532	506,172
General and Administrative Expenses:		
Bad Debt Expense	952	15,711
Investor Relations Expenses	17,316	14,645
Legal and Accounting Expenses	25,917	86,386
Sales Support Expenses	251,490	367,232
Research and Development	327,727	483,892
Other General and Administrative Expenses	326,580	585,735
Total General and Administrative Expenses	949,982	1,553,601
Loss from Operations	(154,450)	(1,047,429)
Other Income	179,208	151,280
Interest Expense	(314,579)	(263,573)
Loss Before Income Taxes	(289,821)	(1,159,722)
Provision for Income Tax Expense	-	-
Net loss and comprehensive loss	$ (289,821)	$ (1,159,722)
Net loss Per Share - Basic and Diluted	$ (0.00001)	$ (0.00005)
Weighted Average Number of Shares Outstanding - Basic and Diluted	24,256,806,453	23,526,151,361

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BioElectronics Corporation
Statement of Changes in Stockholders' Deficiency (Unaudited)
For the Years Ended December 31, 2021 and 2020

	Common Stock		Additional Paid-in Capital/ (Discount to Par)	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2019	22,917,518,736	$ 22,917,519	$ (405,544)	$(37,086,630)	$(14,574,655)
Issuance of common shares on conversions of notes payable	1,083,265,250	1,083,265	(631,569)	-	451,696
Issuance of common shares for services rendered	134,000,000	134,000	(78,600)		55,400
Issuance of stock options			105,189		105,189
Net loss	-	-	-	(1,159,722)	(1,159,722)
Balance at December 31, 2020	24,134,783,986	$ 24,134,784	$ (1,010,524)	$(38,246,352)	$(15,122,092)
Issuance of common shares on exercises of stock options	50,000,000	50,000	(43,500)		6,500
Issuance of common shares on conversions of notes payable	194,044,933	194,045	(135,832)		58,213
Conversion of consulting services to debt repayments				229,696	229,696
Net loss				(289,821)	(289,821)
Balance at December 31, 2021	24,378,828,919	$ 24,378,829	$ (1,189,856)	$(38,306,477)	$(15,117,504)

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BioElectronics Corporation
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Unaudited)

	2021	2020
Cash flows from operating activities:		
Net loss	$ (289,821)	$ (1,159,722)
		-
Provision for bad debts	952	15,711
Share-based compensation expense	-	160,589
Non-cash interest on notes payable	141,627	105,324
Non-cash interest on related party notes payable	167,010	134,154
Non-cash forgiveness of related party loan	(67,142)	-
Exercise of stock options	6,500	-
(Increase) Decrease in:		
Trade and other receivables	105,190	9,501
Inventory	126,452	(52,455)
Prepaid expenses and other current assets	-	10,384
Increase (Decrease) in:		
Accounts payable and accrued expenses	(67,891)	13,988
Deferred revenue	(443,176)	234,489
Net cash used in operating activities	(320,299)	(528,037)
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from note payable	346,738	486,688
Payments on note payable	(112,113)	(141,322)
Proceeds from related party notes payable	215,000	400,000
Payments on related party notes payable	(125,539)	(22,224)
Forgiveness of Paycheck Protection Program loan	(112,474)	(131,688)
Net cash provided by financing activities	211,612	591,454
Net increase(decrease) in cash	(108,687)	63,417
Cash- beginning of period	109,612	46,195
Cash- end of period	$ 925	$ 109,612
Supplemental disclosures of cash flow information:		
Cash paid during the periods for interest	$ 32,096	$ 18,316
Supplemental non-cash investing and financing activities:		
Conversion of debt and accrued interest into common stock	$ 58,213	$ 289,551
Issuance of convertible debt with beneficial conversion interest	$ 65,000	$ 400,000

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NOTE 1- NATURE OF BUSINESS

BioElectronics was incorporated in April 2000, and began operations in 2003. BioElectronics is an electroceutical company that develops wearable, neuromodulation devices to safely mitigate neurological diseases and improve quality of life. Our innovative pulsed shortwave therapy technology (PSWT) that uses low power pulsed electromagnetic fields regulate electrical activity of the nervous system. The neuromodulation basis of PSWT presents significant opportunities for BioElectronics to develop optimized technology for diabetic neuropathy, postoperative surgery, chronic wounds, and other applications.

In February 2017, BioElectronics announced that it received over-the-counter use market clearance from the US FDA for ActiPatch® for the adjunctive treatment of musculoskeletal pain related to plantar fasciitis of the heel, and osteoarthritis of the knee.

Our current OTC product line includes ActiPatch® Musculoskeletal Pain Therapy, Allay® Menstrual Pain Therapy, Smart Insole™ Heel Pain Therapy, and RecoveryRx® Post-operative and Chronic Wounds Therapy. The US FDA clearance is for our flagship product the ActiPatch® Musculoskeletal Pain Therapy, developed to relieve chronic pain. ActiPatch is a drug-free, wearable nonprescription medical device that provides 720-hours (90, 8-hour treatments) of on/off therapy. Most users obtain relief with only 8 hours per day of use, so the device will generally last several months, depending on use.

In February 2020, BioElectronics obtained a new 510(k) clearance from the U.S. FDA, granting over-the-counter marketing clearance for the drug-free ActiPatch® medical device, to cover all musculoskeletal pain complaints. This paves the way for new products to treat all medical claims for musculoskeletal pain, including in the back, knee, hips, wrists, elbow, and ankle.

In November 2020, the Company received the CE (Conformité Européenne) Mark for its ActiPatch® and RecoveryRx® Pulsed Shortwave Therapy (PSWT) medical devices. The ActiPatch is indicated for the treatment of general musculoskeletal/soft-tissue pain, while the RecoveryRx is indicated for the treatment of postoperative pain. These wearable devices can now be sold over the counter in 33 European Union (EU) countries, and many other non-EU countries like Australia that recognize the CE mark. The certification for the CE mark is valid until May 2024, and the Company's updated quality management system will ensure prompt recertification.

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, Sweden, Southeast Asia, Canada, South Africa, Australia, and Italy. 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.

In November 2020, the Company announced the execution of a commercial partnership agreement with Scott Specialties Inc. (SS http://scottspecialties.com) to bring their innovative pain

NOTE 10 – RELATED PARTY NOTES PAYABLE (Continued)

management devices to the retail consumer marketplace under the DonJoy® (DJO www.djoglobal.com)

Advantage product line. The commercial partnership will leverage the ActiPatch's broad indications for use and offer active-passive treatment combination products to treat pain, increase physical functionality and improve overall quality of life. The new products will be marketed under DJO's DonJoy Advantage (DJA) line of orthopedic appliances and sold as an EME Knee Wrap and an EME Back Wrap, "powered by ActiPatch".

In December 2020, BioElectronics executed an OEM agreement with KT Health, LLC to bring its innovative pain management devices to encompass retail and e-commerce distribution throughout North America, as well as additional key international markets. The agreement incorporates BioElectronics' ActiPatch® technology into KT Health's KT Recovery+® product line, being marketed and distributed under the proprietary trade name KT Recovery+ WAVE™. KT Health will leverage BioElectronics' FDA 510(k) clearance to market, promote and distribute the devices for the treatment of general musculoskeletal pain.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company's management evaluates its estimates, which include, but are not limited to, estimates related to accrued expenses, stock-based compensation expense, and reported amounts of revenues and expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds held with commercial banks and financial institutions. The Company considers all investments in highly liquid financial instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Fair Value Measurements

The Company's financial instruments include cash and cash equivalents. The Company follows the guidelines in ASC 820, "*Fair Value Measurements and Disclosures*". Fair value is defined as the

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Company applies the following fair value, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs, other than quoted prices, in active markets for identical assets and liabilities in inactive markets, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models.

The Company periodically evaluates financial assets and liabilities subject to fair value measurements to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC 820 hierarchy.

The Company had no assets or liabilities that were measured using quoted prices for similar assets and liabilities or significant unobservable inputs (Level 2 and Level 3 assets and liabilities, respectively) as of December 31, 2021 and December 31, 2020. The carrying value of cash of $925 and $109,612 as of December 31, 2021 and December 31, 2020, respectively, is included in cash and cash equivalents and approximates market values based on quoted market prices (Level 1 inputs).

Concentration of Business and Credit Risk

Credit risk represents the risk that the Company would incur a loss if counterparties failed to perform pursuant to the terms of their agreements. Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. These deposits and funds may be redeemed upon demand and, therefore, bear minimal risk. The Company does not anticipate any losses on such balances.

The Company's account receivable exposes the Company to credit risks such as collectability and business risks such as customer concentrations. The Company mitigates risk by assessing the creditworthiness of all customers prior to establishing a relationship, pursuing the collection of receivables, and recording allowances for doubtful accounts. The Company mitigates business risks by attempting to diversify its customer base.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment include leasehold improvements, office furniture and computers, and all are recorded at cost and depreciated on a straight-line basis over estimated useful lives of five years. Upon retirement or disposition of assets, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations. Expenditures for repairs and maintenance are charged to operations as incurred; major replacements that extend the useful life are capitalized.

Revenue Recognition

The FASB issued ASU No. 2014-09, codified as ASC 606: Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue. The Company adopted ASC 606 effective January 1, 2019 using modified retrospective basis and the cumulative effect was immaterial to the financial statements. Revenues are recognized when performance obligations are satisfied through the transfer of promised goods to the Company's customers. This includes the transfer of legal title, physical possession, pricing is fixed and determinable, and collection is reasonably assured. The Company sells its products to wholesale distributors, directly to hospitals and clinics, and now also directly to consumers with the US FDA market clearance. If the customer is deemed not creditworthy, 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 above-mentioned conditions are met. No allowance for sales returns is required for the years ended December 31, 2021 and 2020, respectively. Defective units are replaced at the request of the customer.

Accrued Liabilities

The Company is required to estimate accrued liabilities as part of the process of preparing its financial statements. The estimation of accrued liabilities involves identifying services that have been performed on the Company's behalf, and then estimating the level of service performed and the associated cost incurred for such services as of each balance sheet date. Accrued liabilities include professional service fees, payroll liabilities, payroll tax liabilities, and other services rendered and not yet paid as of the balance sheet date. Pursuant to the Company's assessment of the services that have been performed and the liabilities incurred, the Company recognizes these expenses as the services are provided.

Research and development expenses

Research and development costs are charged to expense as incurred in performing research and development activities. The costs include employee compensation costs, facilities and overhead, clinical study costs, regulatory and other related costs.

Stock-based compensation expense

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company accounts for its stock-based compensation awards to employees and directors in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock, to be recognized in the statements of operations based on their grant date fair values. Compensation expense related to awards to employees is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Share-based payments issued to non-employees are recorded at their fair values, and are periodically revalued as the equity instruments vest and are recognized as expense over the related service period in accordance with the provisions of ASC 718 and FASB ASC Topic 505, *Equity,* ("ASC 505") and are expensed using an accelerated attribution model.

The Company estimates the fair value of its stock options using the Black- Scholes option pricing model, which requires the input of subjective assumptions, including (a) the expected volatility of the Company's stock price, (b) the expected term of the award, (c) the risk-free interest rate, (d) expected dividends and (e) the estimated fair value of the Company's common stock on the measurement date. The Company's actual historical stock price volatility data is the basis for expected volatility.

Income taxes

Income taxes are recorded in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized. The Company has evaluated available evidence and concluded that the Company may not realize the benefit of its deferred tax assets; therefore, a valuation allowance has been established for the full amount of the deferred tax assets.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of December 31, 2021 and December 31, 2020, the Company does not have any significant uncertain tax positions. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Earnings per share

Basic earnings per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period, without consideration for common stock equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Diluted earnings per share attributable to common stockholders is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share attributable to common stockholders' calculation, stock options, unvested restricted stock, and warrants are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders, as their effect would be anti-dilutive for all periods presented. Therefore, basic, and diluted net loss per share were the same for all periods presented.

Recent accounting pronouncements

The Company adopts new pronouncements relating to generally accepted accounting principles applicable to the Company as they are issued, which may be in advance of their required effective date. Management does not believe that any pronouncement not yet effective but recently issued would, if adopted, have a material effect on the accompanying financial statements.

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 several 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 $75,856 and $74,904 on December 31, 2021 and December 31, 2020, respectively.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method. Market is current replacement cost.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet, and the reported amounts of revenues and expense during the reporting periods. Actual results could differ from those estimates.

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 multiple increases to get to 16,000,000,000 in 2016, and additional increases to 20,000,000 in 2017, and to 25,000,000 in 2018. 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $289,821 for the year ended December 31, 2021, and a cumulative net loss since inception of $38,306,477. 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, and to maintain operations, and thus there is substantial doubt of the Company's ability to continue as a going concern.

NOTE 4 – COVID-19

In March 2020, The World Health Organization declared the outbreak of a novel coronavirus (COVID-19), as a pandemic which continued to spread throughout the world. BioElectronics was forced to curtail its manufacturing, shipping, and distribution operations in the second quarter, like many medical device companies with a global logistics network, due to COVID-19. Furthermore, the global slowdown in retail consumer demand severely restricted sales operations for many of our distributors, resulting in their postponement of scheduled device re-orders.

While COVID-19 continues to negatively impact operations, and it is difficult to project the future impact, we are experiencing some positive trends toward normalcy. As a result of the financial uncertainty presented by COVID-19, and with their commitment to grow BioElectronics into a profitable enterprise, two of the Company's largest stakeholders, IBEX LLC and St. John's LLC, decided to forgo interest on their convertible notes for 2020, and continuing into 2021, reducing the Company's interest expense by $778,733 and $790,195 for the years ending December 31, 2021 and 2020, respectively.

NOTE 5 - INVENTORY

The components of inventory consisted of the following as of:

	December 31, 2021	December 31, 2020
Raw materials	$ -	$ 136,244
Prepaid	22,162	-
Finished goods	3,100	15,470
	$ 25,262	$ 151,714

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	December 31, 2021	December 31, 2020
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	181,061	181,061
Total property and equipment, net	$ -	$ -

For the years ended December 31, 2021 and 2020, there was no depreciation expense.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses consists of the following as of:

	December 31, 2021	December 31, 2020
Payroll Taxes	$ 503,644	$ 521,787
Estimated Penalties & Interest	291,370	271,233
SEC Settlement Agreement	191,640	191,640
Employee Compensation	96,601	97,515
Other	33,096	14,941
Total accrued expenses	$ 1,116,351	$ 1,097,116

NOTE 8 – SHORT-TERM FINANCING

In April 2020, Complete Business Solutions Group, Inc. purchased $25,400 of future receivables for $20,000, with daily payments of $282 for 90 days. This financing was paid off in the third quarter of 2020.

In April 2020, the Company was granted a loan from Fulton Bank in the amount of $131,688, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a promissory note that was scheduled to be due on April 29, 2022, bared a stated interest rate of 1.0% per annum. The loan was fully forgiven in 2021, and thus treated as part of other income as disclosed in the income statement.

On March 4, 2021, the Company was granted a second loan from Fulton Bank in the amount of $112,474, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a promissory note that was scheduled to be due on March 4, 2026, bared a stated interest rate of 1.0% per annum. The loan

NOTE 8 – SHORT-TERM FINANCING (Continued)

was fully forgiven in the third quarter of 2021, and thus treated as part of other income as disclosed in the income statement.

In September 2021, the Company obtained $50,000 in short-term financing with WebBank, with future receivables as collateral, requiring weekly payments of $1,033 for 61 weeks. Additional financing was added in December 2021, and the balance on this financing was $92,142 as of December 31, 2021.

In December 2021, the Company obtained $75,000 in short-term financing with ByzFinder, requiring weekly payments of $2,454 for a year. The balance on this financing was $71,496 as of December 31, 2021.

NOTE 9 - NOTES PAYABLE

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States (EXIM Bank), with the terms modified though a Loan, Security and Guaranty agreement dated May 16, 2015. This agreement was further amended on January 8, 2018, whereas EXIM Bank agreed to a revised repayment schedule, with a new effective interest rate of 5.23%, with monthly payments of $3,500 through November 15, 2023, and the remaining principal of $396,468 due at that time. The balance owed on this note to EXIM Bank was $498,977 on December 31, 2021.

During the first quarter of 2018, the Company entered into a convertible note agreement with McLeod Holdings, receiving financing of $72,000, with an interest rate of 8% per annum and convertible at a rate of $.0003 per share. During the second quarter of 2020, the Company converted $85,000 of accounts payable to McLeod Holdings into a note payable at 8% interest, with the notes due April 1, 2022. As of December 31, 2021, the balance on these notes amounted to $191,831.

During the second quarter of 2018, the Company entered into a convertible note agreement with Timothy Kim, receiving financing of $200,000, with an interest rate of 8% per annum and convertible at a rate of $.0013 per share. During 2019, this loan was extended for two years at a new rate of 12% at the updated value of $227,220. In addition, Kim provided a new loan at 12% in 2019 for $100,000, and an additional $250,000 of loans during 2020. The total value of the notes due to Kim amounted to $693,815 as of December 31, 2021.

During the second quarter of 2018, the Company entered into a convertible note agreement with Abhinav Humar, receiving financing of $160,000, with an interest rate of 8% per annum and convertible at a rate of $.0013 per share. The balance on this loan was $211,779 as of December 31, 2021.

During the first second quarter of 2018, the Company entered into a convertible note agreement with James Eason, receiving financing of $135,000, with an interest rate of 8% per annum and convertible at a rate of $.0003 per share. This loan and related interest was converted into 629,856,000 shares of common stock in July 2020.

NOTE 9 - NOTES PAYABLE (Continued)

Total interest expense on external financing for the years ended December 31, 2021 and 2020 amounted to $141,626 and $123,640, respectively. The corresponding shares to be issued upon the conversion of the external convertible debt amounts to 2,838,632,790 and 2,838,632,790 common shares as of December 31, 2021 and December 31, 2020, respectively.

NOTE 10 – RELATED PARTY NOTES PAYABLE

IBEX Promissory Convertible Notes Payable

IBEX, LLC is a limited liability company, and wholly owned by Kelly Whelan, 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 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. The Security Agreement has been subordinated to the EX-IM Bank.

The conversion prices on the convertible notes payable 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.

Starting in 2012 and continuing through December 31, 2021, the Company has extended the maturity dates by up to 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 to 21,598,236,118 on December 31, 2021.

During the years ended December 31, 2021 and 2020, there were no borrowings from IBEX, and debt payments totaling $211,000 were made. During 2021, IBEX and the Company agreed to reclassify 2020 payments amounting to $123,000 as debt payments rather than payments for services rendered. This reclassification is included in the line entitled "Conversion of Consulting Services to debt repayments" in the Statement of Changes in Stockholders' Deficiency.

Due to COVID-19 putting unforeseen financial pressures on the Company, the owner of IBEX LLC, Kelly Whelan, agreed to forgo all 2020 and 2021 interest, and thus no interest expense was recorded

NOTE 10 – RELATED PARTY NOTES PAYABLE (Continued)

on these notes payable for the years ending December 31, 2021 and 2020. In addition, Ms. Whelan has agreed to forego all payments for services rendered for the years ending December 31, 2021 and 2020. The balance owed to IBEX amounted to $6,032,070 and $6,243,070 as of December 31, 2021 and December 31, 2020, 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, as well as the Chairman of the Company, and Board member. Additionally, St. Johns, LLC is a limited liability company, which is owned by a family member of the President of the Company.

Most 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.

During 2020, the Company borrowed $125,000 from Keith Nalepka, Vice-President of Sales and Marketing. During 2021, the Company and Nalepka agreed to reclassify 2020 payments amounting to $106,696 as debt payments rather than payments for services rendered. This reclassification is included in the line entitled "Conversion of Consulting Services to debt repayments" in the Statement of Changes in Stockholders' Deficiency. In addition, Mr. Nalepka has agreed to forego all payments owed for services rendered for the year ending December 31, 2021.

During the year ended December 31, 2021, there were $58,213 other related party notes converted into 194,044,933 shares of common stock, and during the year ended December 31, 2020, $289,551 of other related party notes were converted into 453,409,250 shares of common stock.

During the years ended December 31, 2021, and 2020, the Company borrowed $215,000 and $350,000, respectively, through additional promissory notes with other related parties.

Due to COVID-19 putting unforeseen financial pressures on the Company, the owner of St. John's LLC, Patricia Whelan, agreed to forego all 2020 and 2021 interest, and thus no interest expense was recorded on these notes payable for the years ended December 31, 2021 and 2020.

The balance of notes payable to other related parties amounted to $5,550,487 and $5,308,832 as of December 31, 2021, and December 31, 2020, respectively.

NOTE 11 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended September 30, 2021 because of a significant net operating loss carry-forward of approximately $38 million. The net operating losses expire in various years through 2040. 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, 2021, and December 31, 2020, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 12 – NET LOSS PER SHARE

Basic net loss per common share is determined by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents.

Diluted net income per share is computed by dividing net income by the weighted-average number of common stock equivalents outstanding for the period.

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

	Year Ended December 31,	
	2021	2020
Net Loss	$ (289,821)	$ (1,159,722)
Basic and Diluted Net Loss per Common Share	$ (0.00001)	$ (0.00005)
Weighted Average Number of Shares Outstanding - Basic and Diluted	24,256,806,453	23,526,151,361
Options and Shares Not Included Above (Antidilutive):		
Nonvested and Vested Restricted Share Awards	100,000,000	100,000,000
Options to Purchase Common Stock	1,732,000,000	1,545,000,000
	1,832,000,000	1,645,000,000

NOTE 13 – 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, in the form of stock options and restricted shares.

NOTE 13 – SHARE BASED COMPENSATION (Continued)

Restricted Stock and Stock Option Awards

A summary of the Company's restricted stock and stock option activity for the year ended December 31, 2021 is as follows:

Nonvested Restricted Shares	Shares		Weighted-average grant date fair value
Balance at December 31, 2020	100,000,000	$	0.00035
Granted	-		-
Vested	-		-
Forfeited			-
Balance at December 31, 2021	100,000,000	$	0.00035

Stock options	Shares		Weighted-average exercise price	Weighted-average remaining contractual term (years)
Balance at December 31, 2020	1,732,000,000	$	0.0011	3.5
Granted	-			
Exercised	-			
Forfeited	-			
Balance at December 31, 2021	1,732,000,000	$	0.0011	2.7

Compensation expense for restricted stock and stock options was $0 and $160,589 for the years ended December 31, 2021 and 2020, respectively.

NOTE 14 – 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.

SEC Case

In February 2016, the Securities and Exchange Commission instituted a public administrative and cease-and desist proceedings, pursuant to Section 8A of the Securities Act of 1933 against the Company. The Company and the SEC Enforcement Division have executed a Settlement Agreement, requiring the Company to pay $191,640 in total. The Company recorded this liability as of December 31, 2019, and this amount remains as a liability as of December 31, 2021.

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 15 – CONCENTRATIONS

As of December 31, 2021, approximately 88% of net trade receivables was with three customers. For the year ended December 31, 2021 approximately 77% of sales was from four customers. As of September 30, 2021, approximately 56% of accounts payable is attributable to five vendors. These concentrations are a significant business risk for the Company.

NOTE 16 – SUBSEQUENT EVENTS

The continuing COVID-19 pandemic has continued to have an adverse effect on the sales, operations, and supply chain of the Company, and as a result we cannot reasonably estimate the long-lasting impact on the business. However, we believe the worst is behind us as we have resumed much of our logistics operations, and most of our distributors have resumed placing orders.