

ISSUER INFORMATION FILE

BioElectronics Corporation

UNAUDITED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2011

Unaudited financial statements for BioElectronics Corporation for the three months ended March 31, 2011 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

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets
(Unaudited)

	<u>March 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 93,304	\$ 26,389
Trade and other receivables, net	349,608	184,970
Trade receivable from related parties	22,514	-
Inventory	937,889	972,346
Prepaid expenses and other	<u>154,272</u>	<u>99,570</u>
Total current assets	<u>1,557,587</u>	<u>1,283,275</u>
Property and equipment	170,011	170,011
Less: Accumulated depreciation	<u>(99,586)</u>	<u>(94,872)</u>
Property and equipment, net	<u>70,425</u>	<u>75,139</u>
Total assets	<u>\$ 1,628,012</u>	<u>\$ 1,358,414</u>
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	\$ 196,629	\$ 338,014
Related party notes payable	-	1,145,437
Accrued expenses	67,000	37,486
Deferred revenue	341,585	213,315
Notes payable	<u>4,290</u>	<u>11,488</u>
Total current liabilities	609,504	1,745,740
Long-term liabilities:		
Related party notes payable, net of discount	<u>4,907,513</u>	<u>3,110,275</u>
Total liabilities	<u>5,517,017</u>	<u>4,856,015</u>
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value \$0.001 per share, 1,750,000,000 shares authorized at March 31, 2011 and December 31, 2010 and 1,641,048,871 and 1,546,648,871 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	1,641,049	1,546,649
Additional paid-in capital	9,832,192	9,657,748
Deficit accumulated during the development stage	<u>(15,362,246)</u>	<u>(14,701,998)</u>
Total stockholders' deficiency	<u>(3,889,005)</u>	<u>(3,497,601)</u>
Total liabilities and stockholders' deficiency	<u>\$ 1,628,012</u>	<u>\$ 1,358,414</u>

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
For three months Ended March 31, 2011 and 2010
and for the Period from April 10, 2000 (Inception) to March 31, 2011
(Unaudited)

	March 31, 2011	(Restated) March 31, 2010	Period from April 10, 2000 (Inception) to March 31, 2011
Sales	\$ 375,436	\$ 281,767	\$ 4,282,303
Cost of Goods Sold	148,314	121,063	1,978,371
Gross profit	<u>227,122</u>	<u>160,704</u>	<u>2,303,932</u>
General and Administrative Expenses:			
Bad Debt Expense	-	-	221,610
Depreciation and Amortization	4,714	4,952	117,013
Investor Relations Expenses	94,413	45,899	1,843,554
Legal and Accounting Expenses	137,736	200,935	1,559,502
Sales Support Expenses	117,516	73,586	2,246,837
Other General and Administrative Expenses	<u>447,311</u>	<u>300,576</u>	<u>9,240,268</u>
Total General and Administrative Expenses	<u>801,690</u>	<u>625,948</u>	<u>15,228,784</u>
Loss from Operations	(574,568)	(465,244)	(12,924,852)
Interest Expense and Other, Net:			
Other Income	-	-	122,530
Interest Expense	(85,680)	(34,851)	(2,518,381)
Loss on Disposal of Assets	<u>-</u>	<u>-</u>	<u>(41,543)</u>
Total Interest Expense and Other, Net	<u>(85,680)</u>	<u>(34,851)</u>	<u>(2,437,394)</u>
Loss Before Income Taxes	(660,248)	(500,095)	(15,362,246)
Provision for Income Tax Expense	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (660,248)</u>	<u>\$ (500,095)</u>	<u>\$ (15,362,246)</u>
Net loss Per Share - Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>N/A</u>
Weighted Average Number of Shares Outstanding - Basic and Diluted	<u>1,624,382,204</u>	<u>1,471,332,204</u>	<u>N/A</u>

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
For the Three Months Ended March 31, 2010 and 2009 and for the
Period from April 10, 2000 (Inception) to March 31, 2011
(Unaudited)

	2011	(Restated) 2010	April 10, 2000 (Inception) to March 31, 2011
Cash flows from Operating Activities:			
Net loss	\$ (660,248)	\$ (500,095)	\$ (15,362,246)
Adjustment to Reconcile Net Loss to Net Cash Used In Operating Activities:			
Depreciation and amortization	4,714	6,771	117,013
Provision for bad debts	-	-	221,610
Amortization of non-cash debt issuance costs	-	-	725,373
Amortization and extinguishment of beneficial conversion discount	5,186	5,655	763,201
Non-cash expenses	85,320	-	1,588,819
Share-based employee compensation expense	87,524	36,190	496,945
Non-cash interest related to notes payable	-	-	592,418
Non-cash interest related to related party notes payable	80,494	29,021	354,375
Adjustment of related party notes payable	-	-	(266,490)
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	52,121	-	903,984
Loss on disposal of property and equipment	-	-	41,543
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	(164,638)	399,585	(571,218)
Trade receivables assigned to related party	-	(536,927)	-
Inventory	34,457	(156,119)	(937,889)
Trade receivable from related parties	(22,514)	55,327	(22,514)
Prepaid expenses and others	(54,702)	(56,986)	(118,269)
Increase (Decrease) in:			
Accounts payable	(141,385)	107,959	336,877
Accrued expenses	29,514	16,588	275,442
Deferred revenue	128,270	-	341,585
Net cash used in operating activities	(535,887)	(593,031)	(10,389,589)
Cash flows from Investing Activities			
Acquisition of property and equipment	-	(44,817)	(211,564)
Net cash Used in Investing Activities	-	(44,817)	(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	(7,198)	(9,943)	(559,931)
Proceeds from related party notes payable	610,000	445,000	7,525,193
Payments on related party notes payable	-	-	(974,803)
Proceeds from issuance of common stock	-	-	3,623,837
Other	-	-	(9,987)
Net cash provided by financing activities	602,802	435,057	10,694,457
Net increase (Decrease) in cash	66,915	(202,791)	93,304
Cash- Beginning of Period	26,389	296,352	-
Cash- End of Period	\$ 93,304	\$ 93,561	\$ 93,304
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the periods for:			
Interest	\$ -	\$ 377	\$ 66,632
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Conversion of debt and accrued interest into common stock	\$ 96,000	\$ -	3,471,625
Issuance of convertible debt with beneficial conversion interest	\$ -	\$ -	840,982
Conversion of warrants into common stock	\$ -	\$ -	\$ 5,336
Prepaid insurance expense through issuance of notes	\$ -	\$ -	\$ 24,142
Equipment purchases financed through capital leases and notes payable	\$ -	\$ -	\$ 9,986

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(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.

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.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(Unaudited)

NOTE 2 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 the 2010 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 2010 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.

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 \$30,000 at both March 31, 2011 and December 31, 2010. Bad debt expense was \$-0- for the three months ended March 31, 2011 and March 31, 2010.

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 months ended March 31, 2011 and 2010 are \$59,317 and \$4,255, 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 March 31, 2011 and December 31, 2010, total advertising costs included in prepaid expenses on the balance sheets were \$27,082 and \$46,450, net of accumulated amortization of \$57,668 and \$38,299, respectively. Total amortization expense included in advertising costs for the three months ended March 31, 2011 and 2010, and for the period from inception (April 10, 2000) through March 31, 2011, was \$19,639, \$1,819, and \$57,668, respectively.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 three months ended March 31, 2011 and 2010. Defective units are replaced at the request of the customer.

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 \$660,248 for the three months ended March 31, 2011. 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:

	March 31, 2011	December 31, 2010
Raw materials	\$ 361,703	\$ 432,869
Prepaid inventory	54,298	121,360
Finished goods	521,888	418,117
	<u>\$ 937,889</u>	<u>\$ 972,346</u>

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(Unaudited)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	March 31, 2011	December 31, 2010
Machinery & Equipment	\$ 163,129	\$ 163,129
Leasehold improvements	6,882	6,882
	<u>170,011</u>	<u>170,011</u>
Less: accumulated depreciation	99,586	94,872
Total property and equipment, net	<u>\$ 70,425</u>	<u>\$ 75,139</u>

Depreciation expense on property and equipment amounted to \$4,714 and \$4,952 for the three months ended March 31, 2011 and March 31, 2010, 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. (See additional information regarding the IBEX Revolver and restatements to prior financial statement information in Note __.)

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.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(Unaudited)

NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

IBEX Revolver Agreement (continued)

During the three months ended March 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. The balance of the Revolver as of March 31, 2011 and December 31, 2010 was \$1,132,109 and \$1,206,981, respectively, net of unamortized discount from beneficial conversion feature of \$77,781 and \$82,972, 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.

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	\$ 70,234	\$ 590,154	\$ 0.0190	31,060,737
2/9/2010	2/28/2014	8.00%	135,000	10,068	145,068	0.0100	14,506,800
3/31/2010	3/31/2014	8.00%	310,000	23,120	333,120	0.0100	33,312,000
4/15/2010	4/30/2012	8.00%	20,000	1,492	21,492	0.0100	2,149,200
5/5/2010	5/31/2012	8.00%	120,000	8,950	128,950	0.0100	12,895,000
5/14/2010	5/31/2012	8.00%	100,000	7,458	107,458	0.0100	10,745,800
6/22/2010	6/30/2012	8.00%	130,000	9,696	139,696	0.0100	13,969,600
7/15/2010	7/31/2012	8.00%	10,000	559	10,559	0.0100	1,055,900
7/23/2010	9/30/2012	8.00%	100,000	5,412	105,412	0.0080	13,176,500
9/7/2010	9/30/2012	8.00%	50,000	2,193	52,193	0.0070	7,456,143
9/14/2010	9/30/2012	8.00%	185,000	7,824	192,824	0.0070	27,546,286
9/30/2010	10/31/2012	8.00%	50,000	1,936	51,936	0.0070	7,419,429
10/4/2010	10/31/2012	8.00%	50,000	1,892	51,892	0.0060	8,648,667
10/8/2010	11/30/2012	8.00%	50,000	1,847	51,847	0.0060	8,641,167
11/4/2010	11/30/2012	8.00%	40,000	1,236	41,236	0.0050	8,247,200
11/15/2010	12/31/2012	8.00%	100,000	2,846	102,846	0.0045	22,854,667
12/7/2010	12/31/2012	8.00%	78,333	1,862	80,195	0.0046	17,433,696
12/16/2010	12/31/2012	8.00%	30,000	646	30,646	0.0050	6,129,200
12/30/2010	1/31/2013	8.00%	40,000	737	40,737	0.0050	8,147,400
1/26/2011	1/31/2013	8.00%	50,000	712	50,712	0.0063	8,049,524
1/31/2011	2/28/2013	8.00%	40,000	526	40,526	0.0063	6,432,698
2/2/2011	2/28/2013	8.00%	125,000	1,589	126,589	0.0059	21,455,763
2/14/2011	3/31/2013	8.00%	62,000	625	62,625	0.0050	12,525,000
3/7/2011	3/31/2013	8.00%	42,000	230	42,230	0.0051	8,280,392
3/23/2011	3/31/2013	8.00%	37,000	74	37,074	0.0047	7,888,085
			<u>\$ 2,474,253</u>	<u>\$ 163,764</u>	<u>\$ 2,638,017</u>		<u>320,087,638</u>

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.

Total interest expense incurred on the IBEX Revolver and IBEX convertible promissory notes payable for the three months ended March 31, 2011 and 2010 was \$60,400 and \$29,021, respectively.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
For The Three Months Ended March 31, 2011
(Unaudited)

NOTE 8 – 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. During the three months ended March 31, 2011, the Company borrowed a total of \$306,122, consisting of cash as well as the conversion of accounts payable of \$52,122 owed to one of the related parties for reimbursement of expenses and services rendered.

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 March 31, 2011:

Issuance Date	Maturity Date	Amounts Convertible			Conversion Price/Share	Shares to be Issued	Lender
		Principal	Interest	Total			
6/30/2010	5/31/2012	\$ 18,941	4,151	\$ 23,092	0.0100	\$ 2,309,200	St. Johns LLC
8/9/2010	8/31/2012	100,000	5,214	105,214	0.0060	17,535,667	Robert Whelan
8/9/2010	8/31/2012	100,000	5,214	105,214	0.0060	17,535,667	Janel & Ryan Zaluski
8/31/2010	5/31/2012	61,109	2,899	64,008	0.0070	9,144,000	St. Johns LLC
9/30/2010	9/30/2012	21,882	891	22,773	0.0070	3,253,286	St. Johns LLC
11/9/2010	11/30/2012	25,000	795	25,795	0.0050	5,159,000	Richard Staelin
11/22/2010	11/30/2012	125,600	3,662	129,262	0.0036	35,906,111	St. Johns LLC
11/29/2010	11/30/2012	100,000	2,732	102,732	0.0039	26,341,538	St. Johns LLC
12/7/2010	12/31/2010	87,760	2,209	89,969	0.0046	19,558,478	St. Johns LLC
12/9/2010	12/31/2012	78,333	1,965	80,298	0.0046	17,456,087	Richard Staelin
12/31/2010	12/31/2012	25,274	504	25,778	0.0046	5,603,913	St. Johns LLC
12/31/2010	12/31/2012	52,095	1,028	53,123	0.0046	11,548,478	Jarencz
1/5/2011	1/31/2013	100,000	1,885	101,885	0.0050	20,377,000	St. Johns LLC
1/11/2011	1/31/2013	121,000	2,122	123,122	0.0053	23,230,566	St. Johns LLC
3/31/2011	3/31/2013	33,000	-	33,000	0.0049	6,734,694	St. Johns LLC
3/31/2011	3/31/2013	52,122	-	52,122	0.0049	10,637,143	St. Johns LLC
		<u>\$ 1,102,116</u>	<u>\$ 35,271</u>	<u>\$ 1,137,387</u>	<u>\$ 0.0049</u>	<u>232,330,828</u>	

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.

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. Richard Staelin is a member of the Board of Directors.

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. Accordingly, there have been no beneficial conversion features contained in the convertible promissory note agreements issued during the three months ended March 31, 2011.

Interest expense incurred on the other related party notes payable for the three months ended March 31, 2011 and 2010 was \$20,094 and \$-0-, respectively.

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NOTE 9 – INSURANCE PREMIUM FINANCING

During 2010, 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 5.51% as of March 31, 2011 and December 31, 2010. The remaining balance of the amount financed was \$11,884 as of December 31, 2010 and \$7,198 was paid during the three months ended March 31, 2011. The interest expense for this note was \$200 for the three months ended March 31, 2011. The outstanding note payable balance of \$4,290 at March 31, 2011 is due in full by May 31, 2011.

NOTE10 – LOSS PER SHARE

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

Common Stock:	2011	2010
Weighted Average Number of Shares Outstanding - Basic	1,624,382,204	1,471,332,204
Effect of Dilutive Securities:		
Options and Warrants		-
Weighted Average Number of Shares Outstanding - Diluted	1,624,382,204	1,471,332,204
Options and Warrants Not Included Above (Antidilutive)		
Nonvested Restricted Share Awards	47,900,000	51,200,000
Options to Purchase Common Stock	-	350,000
Warrants to Purchase Common Stock	-	332,000
	47,900,000	51,882,000

NOTE 11 – 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, 2011, the Company had 17,565,000 shares available for future grant under the Plan.

Stock Option Awards

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, which was deemed to be fair value. The options vested over three years of continuous service and were exercisable over five years from the date of grant. There were no options outstanding as of March 31, 2011 and December 31, 2010 and there was no compensation expense related to the stock options during the three months ended March 31, 2011 and 2010.

Common Stock Issued for Services

On January 17, 2011 the Company issued 7,200,000 shares of common stock for services rendered valued at \$43,200 which was in prepaid expenses at March 31, 2011 as the services had not yet been performed. These shares were value at \$0.006 per share, which represents the fair value of the services to be received.

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NOTE 11 – SHARE BASED COMPENSATION (CONTINUED)

Common Stock Issued for Services (continued)

On January 25, 2011, the Company issued 7,200,000 shares of common stock in exchange for to be services rendered valued at \$42,120 which was in prepaid expenses at March 31, 2011. The shares were valued at \$0.00585 per share, which represents the fair value of the services to be received.

Compensation cost related to the shares issued to consultants for services to be rendered were recorded based on the fair value of the services performed, as that fair value was deemed to be more readily available than the fair value of the common stock. In determining the number of shares to issue for the services rendered that was considered reasonable by the Board of Directors, the Company and the Board of Directors utilized the process in place for issuing shares upon conversion of convertible debt described previously. Where the Company issues fully vested, non-forfeitable shares of common stock that are not freely transferable at the time of issuance, in lieu of payment for services in cash, the number of shares to be issued are based on the invoice price of the services rendered and the estimated fair value of the shares traded on the OTC pink sheet market discounted to reflect the restriction on the shares issued for the services rendered.

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 March 31, 2011, and changes during the three months ended March 31, 2011, is as follows:

Nonvested shares	Shares	Weighted-average grant date fair value
Balance at December 31, 2010	59,900,000	\$ 0.0122
Granted	-	-
Vested	(12,000,000)	0.0130
Forfeited	-	-
Balance at March 31, 2011	<u>47,900,000</u>	<u>\$ 0.0120</u>

Total compensation cost related to the restricted stock awards granted to employees was \$64,595 and \$28,548 for the three months ended March 31, 2011 and 2010, respectively.

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NOTE 11 – SHARE BASED COMPENSATION (CONTINUED)

Nonvested Restricted Share Awards (continued)

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 2.1 year weighted-average period is approximately \$493,000.

Total compensation cost related to the restricted stock awards granted to Non-employees was \$22,928 and 7,642 for the three months ended March 31, 2011 and 2010, respectively.

A summary of the status of the Company’s nonvested shares granted to Non-employees as of March 31, 2011, and changes during the three months ended March 31, 2011, is as follows:

<u>Nonvested shares</u>	<u>Shares</u>	<u>Weighted-average grant date fair value</u>
Balance at December 31, 2010	15,200,000	\$ 0.0181
Granted	-	-
Vested	(5,066,667)	0.0181
Forfeited	-	-
Balance at March 31, 2011	<u>10,133,333</u>	<u>\$ 0.0181</u>

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 2.1 year weighted-average period is approximately \$176,000.

NOTE 12 – INCOME TAXES

The Company has not provided for income tax expense for the three months ended March 31, 2011 because of a significant net operating loss carry-forward of approximately \$6.0 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 13 – 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.

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NOTE 13 – 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 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.

NOTE 15 – 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 March 31, 2011 and 2010 include \$22,514 and \$1,273 in sales, respectively and \$4,953 and \$152, in costs of goods sold, respectively. The balance due from eMarkets was \$22,514 and \$-0- at March 31, 2011 and December 31, 2010, respectively. Such amounts were presented under "Trade receivables from related parties".