



Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statements of Equity & Cash Flows, Footnotes to Balance Sheet

Quarterly Report for Period Ended September 30, 2017

The following pages present the unaudited financial statements along with Statements of Equity and Cash Flows, and the Footnotes to the Balance Sheet for Decision Diagnostics Corp., for the quarters ended September 30, 2017, and 2016. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: **DECN**
CUSIP Number: **243443 108**

Decision Diagnostics Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash	\$ 791,937	\$ 1,351,860
Accounts receivable, net	588,871	537,131
Inventory	399,590	407,463
Prepaid expenses	1,110,120	1,611,995
Total current assets	<u>2,890,518</u>	<u>3,908,449</u>
Fixed assets:		
Specialty manufacturing equipment	802,315	737,425
	802,315	737,425
Less accumulated depreciation	-	-
Fixed assets, net	<u>802,315</u>	<u>737,425</u>
Other assets:		
Intellectual property	547,875	502,130
Patent licenses, net value	1,075,825	1,075,825
Total other assets	<u>1,623,700</u>	<u>1,577,955</u>
Total assets	<u>\$ 5,316,533</u>	<u>\$ 6,223,829</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 806,232	\$ 723,171
Accrued interest	180,358	355,055
Contingent legal fees	240,000	240,000
Notes payable and short term debt (Note 5)	2,254,447	2,301,661
Total current liabilities	<u>3,481,037</u>	<u>3,619,887</u>
Contingencies	245,069	245,069
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares issued and outstanding as of September 30, 2017 and December 31, 2016	-	-
Preferred series "B" stock, \$0.001 par value, 2,500 shares authorized, 1,000 issued and outstanding as of September 30, 2017 and December 31, 2016	2	2
Preferred series "C" stock, \$0.001 par value, 10,000 shares authorized, 6,263 and 6,235 shares issued and outstanding as of September 30, 2017 and December 31, 2016	6	6
Preferred series "D" stock, \$0.001 par value, 500 shares authorized, 370 shares issued and outstanding as of as of September 30, 2017 and December 31, 2016	-	-
Preferred series "E" stock, \$0.001 par value, 1,250,000 shares authorized, 863,240 and 843,240 issued and outstanding as of September 30, 2017 and December 31, 2016	863	843
Common stock, \$0.001 par value, 494,995,000 shares authorized, 101,271,675 and 81,965,005 shares issued and outstanding as of September 30, 2017 and December 31, 2016	101,072	84,431
Common stock unissued, 1,410,000 shares as of September 30, 2017 and December 31, 2016	1,411	1,411
Subscription receivable	(3,332,250)	(82,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	48,307,142	44,041,778
Retained (deficit)	(43,166,475)	(41,366,004)
Total stockholders' equity	<u>1,590,427</u>	<u>2,358,873</u>
Total liabilities and stockholders' equity	<u>\$ 5,316,533</u>	<u>\$ 6,223,829</u>

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenue	\$ 403,273	\$ 309,088	\$ 1,181,074	\$ 725,484
Cost of sales	260,709	223,561	808,040	449,918
Gross profit	142,564	85,527	373,034	275,566
Expenses:				
General & administrative expenses	186,505	171,775	401,996	427,192
Consulting	37,179	273,019	100,465	498,916
Compensation expense	87,779	8,600	288,831	26,800
Professional fees	438,815	581,862	1,000,968	1,948,407
Total expenses	750,278	1,035,256	1,792,260	2,901,315
Net operating (loss)	(607,714)	(949,729)	(1,419,226)	(2,625,749)
Other income (expense):				
Financing costs	(7,000)	(247,253)	(34,515)	(920,416)
Interest expense, net	(48,439)	(64,389)	(168,193)	(176,056)
Loss on write-down of obsolete inventory	-	(31,277)	-	(242,736)
Loss on terminated contract	(92,665)	-	(176,137)	-
Gain on patent licenses	-	-	-	1,000,000
Total other income (expense)	(148,104)	(342,919)	(378,845)	(339,208)
Taxes:	713,052	1,346,898	1,818,831	3,997,787
State	(2,400)	-	(2,400)	(2,400)
Net loss	\$ (758,218)	\$ (1,292,648)	\$ (1,800,471)	\$ (2,967,357)
Add: Dividends declared on preferred stock	-	-	-	-
Income available to common shareholders'	\$ (758,218)	\$ (1,292,648)	\$ (1,800,471)	\$ (2,967,357)
Weighted average number of common shares outstanding - basic and fully diluted	97,801,324	75,110,933	92,209,047	66,451,145
Net loss per share - basic and fully diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)

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

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

	Nine Months Ended	
	September 30,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (1,800,471)	\$ (2,967,357)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Amortization of prepaid legal fees	500,000	-
Shares and options issued for services	21,400	582,100
Options issued for employee compensation	36,000	-
Shares issued for financing fees	34,515	920,417
Gain on patent license	-	(825,000)
Loss on writedown of obsolete inventory	-	242,736
Non-cash portion of loss on terminated contract	83,472	-
Changes in operating assets and liabilities		
Accounts receivable	(51,740)	(221,953)
Inventory	7,873	(654,253)
Prepaid and other assets	1,875	(3,529)
Accounts payable and accrued liabilities	(410)	(140,252)
Contingent legal fees	-	240,000
Accrued interest	168,193	296,970
Net cash (used) by operating activities	(999,293)	(2,530,121)
Cash flows from investing activities		
Fixed assets	(64,890)	(300,000)
Intellectual property	(45,745)	(17,750)
Net cash (used) by investing activities	(110,635)	(317,750)
Cash flows from financing activities		
Proceeds from notes payable	550,005	1,567,745
Subscriptions payable	-	(77,500)
Shares issued and options exercised for cash	-	2,137,500
Net cash provided by financing activities	550,005	3,627,745
Net decrease in cash	(559,923)	779,874
Cash - beginning	1,351,860	626,429
Cash - ending	\$ 791,937	\$ 1,406,303
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 2,400	\$ 2,400
Non-cash transactions:		
Shares and options issued for services	\$ 21,400	\$ 582,100
Options issued for compensation	\$ 36,000	\$ -
Shares issued for financing activities	\$ 34,515	\$ 920,417
Shares issued for debt and derivative liabilities	\$ 940,110	\$ 1,100,900

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

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

Date	Shareholder	Preferred "B"		Preferred "C"		Preferred "D"		Preferred "E"		Common Stock		APIC	Authorized Unissued	Subscription Receivable	Finders' Fees	Retained (Deficit)	Total
		# Shares	Amt	# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt						
Net loss																#REF!	(334,325)
BALANCE, December 31, 2016		1,000	2	6,235	6			843,240	843	84,629,908	84,430	44,041,778	1,411	(82,250)	(321,344)	(41,366,004)	2,358,872
1/9/2017	New Issuance-Alpha Capital Anstalt									971,074	971	98,078					99,050
1/9/2017	New Issuance-Mark Herskowitz									400,000	400	40,400					40,800
1/31/2017	Stock options issued to employees											36,000					36,000
3/1/2017	New Issuance-Alpha Capital Anstalt									989,425	989	107,847					108,837
3/3/2017	New Issuance-Chase Financing							50,000	50			5,950					6,000
3/3/2017	New Issuance-Chase Financing Inc Profit Sh.							70,000	70			8,330					8,400
3/3/2017	Conversion-Chase Financing							(100,000)	(100)	1,400,000	1,400	(1,300)					-
3/3/2017	New Issuance-Robert Herskowitz									560,000	560	66,640					67,200
3/3/2017	New Issuance-R Herskowitz 2011 Irrv. TR									140,000	140	16,660					16,800
3/10/2017	Issuance-Mark Herskowitz									400,000	400	40,400					40,800
3/21/2017	New Issuance-Alpha Capital Anstalt									355,803	356	35,936					36,292
Net loss																	(435,829)
BALANCE, MARCH 31, 2017		1,000	2	6,235	6			863,240	863	89,846,210	89,647	44,496,720	1,411	(82,250)	(321,344)	(41,801,833)	2,383,221
4/19/2017	Conversion-Paradigm Capital Holdings			(80)	-					400,000	400	(400)					-
4/19/2017	New Issuance-LICGO Partners			157	-					-	-	-					-
5/10/2017	Conversion-Navesink			(125)	-					625,000	625	(625)					-
5/17/2017	New Issuance-Omnivance Advisors LLC									100,000	100	6,900					7,000
5/17/2017	New Issuance-Chase Financing							100,000	100			6,900					7,000
6/19/2017	New Issuance-Alpha Capital Anstalt									1,096,312	1,096	110,728					111,824
6/30/2017	New Issuance-Manhattan Global Ventures					370	-					3,250,000		(3,250,000)			-
	Rounding																1
Net loss																	(606,424)
BALANCE, JUNE 30, 2017		1,000	2	6,187	6	370	-	963,240	963	92,067,522	91,868	47,870,222	1,411	(3,332,250)	(321,344)	(42,408,257)	1,902,623
7/11/2017	Conversion-Robert Herskowitz							(100,000)	(100)	1,400,000	1,400	(1,300)					-
7/11/2017	Conversion-Chase Financial							(100,000)	(100)	1,400,000	1,400	(1,300)					-
7/24/2017	Conversion-Navesink			(125)	-					625,000	625	(625)					-
7/24/2017	Conversion-Paradigm Capital Holdings			(295)	-					1,475,000	1,475	(1,475)					-
7/25/2017	New Issuance-LICGO Partners			196	-					-	-	-					-
8/1/2017	New Issuance-Mark Herskowitz									350,000	350	35,350					35,700
8/7/2017	New Issuance-Alpha Capital Anstalt									981,067	981	99,088					100,069
8/21/2017	New Issuance-Alpha Capital Anstalt									971,043	971	98,075					99,046
8/24/2017	New Issuance-R Herskowitz 2011 Irrv. TR									700,000	700	70,700					71,400
8/24/2017	New Issuance-Chase Financing							50,000	50			3,450					3,500
8/24/2017	New Issuance-Chase Financing Inc Profit Sh.							50,000	50			3,450					3,500
9/5/2017	New Issuance-Mark Herskowitz									350,000	350	35,350					35,700
9/20/2017	New Issuance-Alpha Capital Anstalt									952,043	952	96,156					97,108
9/28/2017	New Issuance-Gerald Hickson			300	-					-	-	-					-
	Rounding																(1)
Net loss																	(758,218)
BALANCE, SEPTEMBER 30, 2017		1,000	2	6,263	6	370	-	863,240	863	101,271,675	101,072	48,307,142	1,411	(3,332,250)	(321,344)	(43,166,475)	1,590,427

DECISION DIAGNOSTICS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with our consolidated financial statements for the period ended December 31, 2016 and notes thereto included in our annual filing. We follow the same accounting policies in the preparation of consolidated interim reports.

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

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the six months ended September 30, 2017 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to our financial statements.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

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

NOTE 3 – Fair value

Our financial instruments consist principally of notes payable and lines of credit. Notes payable and lines of credit are financial liabilities with carrying values that approximate fair value. Management determines the fair value of notes payable and lines of credit based on the effective yields of similar obligations and believe all of the financial instruments' recorded values approximate fair market value because of their nature and respective durations.

We comply with the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. ASC 820-10-35, "*Fair Value Measurements and Disclosures - Subsequent Measurement*" ("ASC 820-10-35"), clarifies that fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10-35 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The Company also follows ASC 825 "*Interim Disclosures about Fair Value of Financial Instruments*", to expand required disclosures.

ASC 820-10-35 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-35 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of September 30, 2017 and 2016:

	FYE 2017 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	\$ -	\$ -	\$ 1,623,700	\$ 1,623,700
Liabilities	-	-	-	-
Notes payable	-	(2,254,447)	-	(2,254,447)
Total	\$ -	\$ (2,254,447)	\$ 1,623,700	\$ (630,747)
	FYE 2016 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	\$ -	\$ -	\$ 1,015,705	\$ 1,015,705
Liabilities	-	-	-	-
Notes payable	-	(1,335,175)	-	(1,335,175)
Total	\$ -	\$ (1,335,175)	\$ 1,015,705	\$ (319,470)

NOTE 4 – Prepaid expenses

We expensed \$500,000 and \$0 of prepaid legal fees during the quarters ended September 30, 2017 and 2016, respectively.

NOTE 5 – Equipment – Specialty Manufacturing Instruments

On June 1, 2015, we entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015, we enhanced its role in this agreement through the purchase of, and investment in, computer controlled, specialty manufacturing equipment that is now located in the Korean facility of the Company's R&D and contract manufacturing partner.

During the nine months ended September 30, 2017, we acquired \$64,890 in fixed assets pursuant to the manufacturing and product development agreement dated June 1, 2015. We expensed an additional \$380,000 for the development of our GenChoice! product which will make use of the Specialty Manufacturing equipment located in Korea.

In late October 2017, we have added to our Specialty Manufacturing Equipment by contracting with our Korean manufacturing partner for the manufacture of our GenPrecis! meter and test strips. The total cost of this acquisition of

manufacturing equipment, including Note interest and OID was approximately \$400,000.00. Financing for this acquisition was done through the lead investor Alpha Capital Anstalt.

NOTE 6 – Patents

During the nine months ended September 30, 2017, we capitalized \$45,745 of attorney fees related to the continued development and perfection of our patents. We are in the process of identifying three patents to add to our portfolio of acquired patents to backbone our proprietary technologies and provide foundation for the manufacture and sale of our GenPrecis! and GenChoice! products. Acquisitions of these patents, to be financed through subsequent Notes with Alpha Capital Anstalt, is expected to be completed in December.

NOTE 7 – Acquisition of Certain Properties

In March 2014, we agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition is now the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA. The original purchase price for this property was expected to be \$2,000,000 (cash). The company is anticipating offsets much higher than the assets purchase price. We have not yet recorded this acquisition on our books because the acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court. We did register this FDA cleared product with the US FDA in 2014, 2015, 2016, and 2017. In late October 2017 we registered our product with the FDA for 2018. In September 2016 we became fully compliant with the newly implemented FDA UDI product identification initiative.

NOTE 8 – Notes payable

We have recorded interest and financing expense in connection with our notes payable totaling \$202,708 and \$1,096,472 for the nine months ended September 30, 2017 and 2016, respectively. All of our interest and financing expenses are classified as non-cash payments because they were converted from debt to equity by the noteholders.

NOTE 9 – Stockholder's equity

2017 Issuances

Preferred

During the quarter ended September 30, 2017, we issued 496 shares of preferred series "C" shares for financing costs.

During the quarter ended September 30, 2017, two holders of preferred series "C" shares converted 420 shares into 2,100,000 shares of common stock.

During the quarter ended September 30, 2017, we issued 100,000 shares of preferred series "E" shares for financing costs totaling \$7,000.

During the quarter ended September 30, 2017, 200,000 shares of preferred series "E" were converted into 2,800,000 shares of common stock.

Common

During the quarter ended September 30, 2017, we issued 4,304,153 shares of \$0.001 par value common stock for conversion of debt and accrued interest totaling \$940,110.

NOTE 10 – Stock options

2017 Stock Option Plan

During the six months ended June 30, 2017, we adopted the "2017" Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 450,000 shares of \$0.001 par value common stock at

the strike price of \$.08 per share. As of June 30, 2017, all options allowed under the plan have been granted and are exercisable at the election of the holder.

The following is a summary of activity of outstanding stock options under all Stock Option Plans:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balance, January 1, 2016	9,621,286	\$ 0.10
Options granted	-	-
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2016	<u>9,621,286</u>	<u>\$ 0.10</u>
Balance, January 1, 2017	9,621,286	\$ 0.10
Options granted	450,000	.08
Options cancelled	-	-
Options exercised	-	-
Balance, September 30, 2017	<u>10,071,286</u>	<u>\$ 0.10</u>

NOTE 11 – Commitments and Contingencies

Contingencies and Litigation

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our GenStrip 50 and GenUltimate! products required initial regulatory approval by the US FDA as well as on-going US FDA approvals during the product life cycle and are subject to new FDA regulation and post market overview. In 2016, we had to meet new FDA Guidelines for product identification, tracking and standardization. Our new GenChoice! and the upcoming GenPrecis! products will follow the same pathway with the U.S. FDA. The FDA calls its new product identification program, the UDI initiative, and the new packaging required, and met by us, approximates a similar standard implemented in the European Union in 2013 and revised in 2015. We are now filing for approvals in the EU through a large well known Spanish pharmaceutical company.

Further, our products required medical patient trials and several compete directly with a major platform manufacturer. Healthcare, especially those segments where the company competes, is a very litigious. Competing companies often use litigation as a marketing tool, bringing litigation as a means to protect market share and limit market exposure. We have in the past (and currently) defended cases brought by Plaintiffs asserting these types of claims.

The medical industry is also intertwined. From time to time, we have become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, litigation that arises over payment disputes or claims of fair value. We have defended cases of this nature. For instance, we have been sued in several jurisdictions over a single business transaction. Often these cases involve substantial over-prosecution where we and our have been held accountable by Plaintiffs for a myriad of things including words written or posted in public forums by anonymous persons.

We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers, people or entities that we may not be familiar with. We maintain substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. We also maintain insurance covering the actions and non-actions of our officers and directors. We also have insurance for our business practices.

We have also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use

of management time and company resources to investigate, litigate, or settle. In addition, we accrue contingent legal fees and product liability fees. As of September 30, 2017, our contingent legal fees accrual was \$240,000 and our general contingencies accrual was \$245,069. Contingencies total \$485,069 and are reflected herein.

From time to time, we may also be subject to demands from former employees, individuals or entities. These demands and disputes may consume management time and company resources. Other than as noted below, if there is such a disclosure, there are no pending matters at the current time that in management's judgment may be considered material or potentially material.

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is \$2,170 per month on a month-to-month basis. We also maintain space in a public warehouse in Miami, FL, and have in the recent past, paid for space indirectly in York, PA for the completion of necessary clinical trials. We have also engaged an exclusive agent to manage our affairs in Korea, and pay indirectly for space in Seoul, Korea.

Rent expense totaled \$19,530 and \$19,530 for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 12 – Subsequent events

We have chosen to discuss all subsequent events in our Quarterly Reports for 3Q 2017, specifically in the Managements' Discussion and Analysis and Supplemental Disclosures sections.

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