

Bio-Matrix Scientific Group, Inc.
Form 10-Q
August 21, 2009

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15 (d) of
Securities Exchange Act of 1934

For Period ended June 30, 2009

Commission File Number 0-32201

BIO-MATRIX SCIENTIFIC GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

33-0824714
(I.R.S. Employer Identification No.)

8885 Rehco Road, San Diego, California
(Address of Principal Executive Offices)

92121
(Zip Code)

(619) 398-3517
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities
Exchange Act of 1934) (check one): Yes No

There were 40,284,977 shares of Common Stock outstanding as of June 30, 2009.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BIO-MATRIX SCIENTIFIC GROUP, INC. AND
SUBSIDIARIES
(A Development Stage Company)
Condensed Consolidated Balance Sheets

| | as of June 30, 2009 (unaudited) | as of September 30, 2008 (Audited) |
|---|---------------------------------------|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 30,938 | \$ 8,410 |
| Securities Available for sale | | 550,000 |
| Pre-paid Expenses | 31,400 | 49,258 |
| Total Current Assets | 62,338 | 607,668 |
| PROPERTY & EQUIPMENT (Net of Accumulated Depreciation) | | |
| | 538,868 | 538,868 |
| Other Assets | 25,507 | 21,307 |
| TOTAL ASSETS | \$ 626,713 | \$ 1,167,843 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 169,215 | \$ 89,974 |
| Notes Payable | 337,218 | 111,459 |
| Due to Shareholder | 100,000 | |
| Accrued Payroll | 271,500 | 150,000 |
| Accrued Payroll taxes | 24,782 | 29,998 |
| Accrued Interest | 67,551 | 24,323 |
| Accrued expenses | 5,000 | 30,000 |
| Current Portion of Convertible Note | 503,400 | |
| Current Portion of Note to Affiliated party | 1,000 | |
| Total Current Liabilities | 1,479,666 | 435,754 |
| LONG TERM LIABILITIES | | |
| Convertible Note (Less Current Portion) | | 503,400 |
| Note to Affiliated Party (Less Current Portion) | | 500,000 |
| TOTAL LIABILITIES | 1,479,666 | 1,439,154 |

STOCKHOLDERS' EQUITY

| | | | |
|--|----|-------------|--------------|
| Preferred Stock (\$.0001 par value) 20,000,000 shares authorized; 5,668,547 and 3,050,478 issued and outstanding as of September 30, 2008 and June 30, 2009 | | 307 | 567 |
| Series AA Preferred Stock (\$0.0001 par value) 100,000 shares authorized, 4852 issued and outstanding as of September 30, 2008 and June 30, 2009 | | | |
| Series B Preferred(\$0.0001 par value) 2,000,000 shares authorized, 0 issued and outstanding as of September 30, 2008, 725,409 issued and outstanding as of June 30, 2009 | | 73 | |
| Common Stock, (\$.0001 par value) 80,000,000 shares authorized; 24,870,869 and 40,284,977 shares issued and outstanding as of September 30, 2008 and June 30, 2008 | | 4,027 | 2,488 |
| Additional paid in Capital | | 8,589,935 | 7,631,648 |
| Contributed Capital | | 499,000 | |
| Accumulated Other Comprehensive Income | | | 50,000 |
| Deficit accumulated during the development stage | | (9,946,297) | (7,956,014) |
| Total Stockholders' Equity (Deficit) | \$ | (852,955) | \$ (271,311) |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$ | 626,713 | \$ 1,167,843 |

The Following Condensed Notes are an integral part of these Financial Statements

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Bio Matrix Scientific Group, Inc. and Subsidiaries

(A Development Stage Company)

Consolidated Statements of Operations

| | 3 Months Ended June 30, 2009 (unaudited) | 3 Months Ended June 30, 2008 (unaudited) | 9 Months ended June 30, 2009 (unaudited) | 9 months Ended June 30, 2008 (unaudited) | From Inception (August 2, 2005) through June 30, 2009 (unaudited) |
|---|--|--|--|--|--|
| REVENUES | | | | | |
| Sales | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Revenues | 0 | 0 | 0 | 0 | 0 |
| COSTS AND EXPENSES | | | | | |
| Research and Development | 36,248 | 57,388 | 116,023 | 128,763 | 773,930 |
| General and administrative | 267,693 | 263,372 | 777,292 | 714,023 | 4,192,496 |
| Depreciation and amortization | | | | 453 | 2,668 |
| Consulting and professional fees | 85,985 | 721,814 | 551,574 | 1,000,579 | 4,310,106 |
| Impairment of goodwill & intangibles | | | | | 34,688 |
| Total Costs and Expenses | 389,926 | 1,042,574 | 1,444,889 | 1,843,818 | 9,313,888 |
| OPERATING LOSS | (389,926) | (1,042,574) | (1,444,889) | (1,843,818) | (9,313,888) |
| OTHER INCOME & (EXPENSES) | | | | | |
| Interest Expense | (31,354) | (20,872) | (87,401) | (42,865) | (174,749) |
| Interest Income | | | | | 306 |
| Other income | 30,000 | | 30,000 | 100 | 30,100 |
| Loss on sale of Available for Sale Securities | | | (487,900) | | (487,900) |
| Other Expense | (92) | | (92) | | (166) |
| Total Other Income & (Expenses) | (1,446) | (20,872) | (545,393) | (42,765) | (632,409) |
| NET INCOME (LOSS) | \$ (391,372) | \$ (1,063,446) | \$ (1,990,282) | \$ (1,886,583) | \$ (9,946,297) |

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Loss attributable to common shareholders \$ (391,372) \$ (1,063,446) \$ (1,990,282) \$ (1,886,583)

BASIC AND DILUTED EARNINGS

(LOSS) PER SHARE (0.01) (0.04) (0.07) (0.08)

WEIGHTED AVERAGE NUMBER OF

COMMON SHARES OUTSTANDING 34,525,105 23,696,781 29,327,540 23,525,620

The Following Condensed Notes are an integral part of these Financial Statements

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Bio Matrix Scientific Group, Inc. and Subsidiaries
(A Development Stage Company)
Consolidated Statements of Cash Flow

| | 9 months ended June 30, 2009 (unaudited) | 9 months Ended June 30, 2008 (unaudited) | From August 2, 2005 (Inception) through June 30, 2009 (unaudited) |
|---|--|--|--|
| OPERATING ACTIVITIES | | | |
| Net Income (loss) | \$ (1,990,282) | \$ (1,886,583) | \$ (9,946,297) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | | |
| Depreciation expense | | 453 | 2,667 |
| Stock issued for compensation to employees | | | 910,342 |
| Stock issued for services rendered by consultants | 369,460 | 782,432 | 3,690,674 |
| Stock issued for interest | 50,544 | 17,296 | 89,112 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in receivables | | (113) | |
| (Increase) decrease in prepaid expenses | 31,896 | (60,338) | (17,362) |
| Increase (Decrease) in Accounts Payable | 79,241 | 49,393 | 169,215 |
| Increase (Decrease) in Accrued Expenses | 120,476 | 158,805 | (54,755) |
| Net Cash Provided by (Used in) Operating Activities | (1,338,665) | (938,542) | (4,726,905) |
| INVESTING ACTIVITIES | | | |
| (Increase) Decrease in Deposits | (4,200) | 1,785 | (25,507) |
| Purchases of fixed assets | | (164,393) | (541,536) |
| (Additions) Decreases to Securities Available for Sale | 500,000 | | 0 |
| Net Cash Provided by (Used in) Investing Activities | 495,800 | (162,608) | (567,043) |

FINANCING ACTIVITIES

| | | | |
|--|-----------|------------|-----------|
| Preferred Stock issued for cash | 57 | 272 | 339 |
| Common stock issued for cash | 158 | | 1,631 |
| Common Stock issued for Debt | 216,716 | | 216,716 |
| Common Stock issued for Accrued Salaries | 120,000 | | 120,000 |
| Additional paid in Capital | 202,701 | 787,114 | 1,530,919 |
| Principal borrowings on notes and Convertible Debentures | 225,759 | (1,330) | 6,679 |
| Increase (Decrease) Due to Shareholder | 100,000 | | 100,000 |
| Convertible notes | | 503,400 | 503,400 |
| Contributed Capital | 499,000 | | 499,000 |
| Increase (Decrease) in Bank Overdraft | | (11,534) | 0 |
| Net borrowings from related parties | | | 1,195,196 |
| Increase (Decrease) in Notes from Affiliated party | (499,000) | | 1,000 |
| Net Cash Provided by (Used in) Financing Activities | 865,391 | 1,277,922 | 4,174,880 |
| Net Increase (Decrease) in Cash | 22,526 | 176,772 | 30,938 |
| Cash at Beginning of Period | 8,410 | 44,110 | 0 |
| Cash at End of Period | \$ 30,938 | \$ 220,882 | \$ 30,938 |
| Supplemental Cash Flow Disclosures: | | | |
| Significant non-cash activities: | | | |
| Stock issued to cancel debt | | | 2,044,592 |
| Preferred stock issued for stock dividend | | | 108 |
| Total | | | 2,044,700 |

The Following Condensed Notes are an integral part of these Financial Statements

BIO-MATRIX SCIENTIFIC GROUP, INC. AND SUBSIDIARY
(A Development Stage Company)
Notes to condensed consolidated Financial Statements
As of June 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, 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 the Company believes 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 condensed consolidated interim financial statements be read in conjunction with the financial statements of the Company for the period ended September 30, 2008 and notes thereto included in the Company's 10-KSB annual report. The Company follows the same accounting policies in the preparation of interim reports.

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

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company generated net losses of \$9,946,297 during the period from August 2, 2005 (inception) through June 30, 2009. This condition raises substantial doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management plans to raise additional funds through debt or equity offerings. Management has yet to decide what type of offering the Company will use or how much capital the Company will raise. There is no guarantee that the Company will be able to raise any capital through any type of offerings.

NOTE 3. INCOME TAXES

As of June 30, 2009

| | |
|----------------------------------|--------------|
| Deferred tax assets: | |
| Net operating tax carry forwards | \$ 3,494,719 |
| Other | -0- |
| Gross deferred tax assets | 3,494,719 |
| Valuation allowance | (3,494,719) |
| Net deferred tax assets | \$ -0- |

As of June 30, 2009 the Company has a Deferred Tax Asset of \$3,494,719 completely attributable to net operating loss carry forwards of approximately \$9,984,913 (which expire 20 years from the date the loss was incurred)

consisting of

- (a) \$38,616, of Net Operating Loss Carry forwards acquired in the reverse acquisition and
- (b) \$9,946,297 attributable to Bio Matrix Scientific Group, Inc. a Nevada corporation (“BMSG”).

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forwards are expected to be available to reduce taxable income. The achievement of required future taxable income is uncertain. In addition, the reverse acquisition of BMSG has resulted in a change of control. Internal Revenue Code Sec 382 limits the amount of income that may be offset by net operating loss (NOL) carryovers after an ownership change. As a result, the Company has the Company recorded a valuation allowance reducing all deferred tax assets to 0.

4

NOTE 4. RELATED PARTY TRANSACTION

On May 8, 2009 the Company issued 226,540 of its common shares to Bombardier Pacific Ventures, Inc. ("Bombardier"), a company controlled by David Koos, our Chairman and CEO, in satisfaction of \$11,067 in accrued interest owed to Bombardier by the Company.

On May 8, 2009 the Company issued 1,341,500 of its common shares to Bombardier in satisfaction of \$67,075 owed to Bombardier by the Company.

As of June 30, 2009, the Company is indebted in the amount of \$182,089 to Bombardier. These amounts are callable at par plus any accrued and unpaid interest by the upon five days written notice, and bears simple interest at 15% maturing, for each amount lent, within one year of issuance.

As of June 30, 2009, the Company is also indebted the amount of \$1,000 to Bombardier. This amount, along with accrued simple interest at 10%, is due and payable on November 29, 2009.

As of June 30, 2009, the Company is indebted in the amount of \$11,390 to Bombardier. These amounts are callable at par plus any accrued and unpaid interest by the upon five days written notice, and bears simple interest at 15% maturing, for each amount lent, within one year of issuance.

On June 22, 2009 the Company issued 4,000,000 shares of common stock in satisfaction of \$120,000 in accrued salary owed to David Koos.

NOTE 5. STOCK TRANSACTIONS

Transactions, other than employees' stock issuance, are in accordance with paragraph 8 of SFAS 123. Thus issuances shall be accounted for based on the fair value of the consideration received. Transactions with employees' stock issuance are in accordance with paragraphs (16-44) of SFAS 123. These issuances shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, or whichever is more readily determinable.

Common Stock

On April 21, 2009 the Company issued 800,000 shares of common stock to Preferred Shareholders in exchange for 800,000 shares of preferred stock.

On April 21, 2009 the Company issued 325,000 shares of common stock for services valued at \$42,250

On April 24, 2009 the Company issued 53,496 shares of common stock in satisfaction of \$6,196 of accrued interest.

On May 8, 2009 the Company issued 226,540 of its common shares in satisfaction of \$11,067 in accrued interest owed by the Company.

On May 8, 2009 the Company issued 1,341,500 of its common shares in satisfaction of \$67,075 owed by the Company.

On May 8, 2009 the Company issued 461,200 of its common shares in satisfaction of \$6,984 owed by the Company.

On May 8, 2009 the Company issued 543,767 of its common shares in satisfaction of \$28,116 owed by the Company.

On May 8, 2009 the Company issued 234,460 of its common shares in satisfaction of \$11,423 owed by the Company.

On May 8, 2009 the Company issued 543,767 of its common shares in satisfaction of \$28,116 owed by the Company.

On May 8, 2009 the Company issued 62,360 of its common shares in satisfaction of \$3,118 owed by the Company.

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On May 15, 2009 the Company issued 780,000 shares of common stock to Preferred Shareholders in exchange for 780,000 shares of preferred stock.

On June 8, 2009 the Company issued 94,000 shares of common stock to Preferred Shareholders in exchange for 94,000 shares of preferred stock

On June 22, 2009 the Company issued 200,000 shares of common stock for services valued at \$14,000

On June 22, 2009 the Company issued 4,000,000 shares of common stock in satisfaction of \$120,000 in accrued salary owed to an officer.

NOTE 6. PREFERRED STOCK DIVIDEND

On May 15, 2009 the Company paid a dividend of one Series B Preferred Share for every fifty common or preferred shares held of record as of May 5, 2009.

NOTE 7. STOCKHOLDERS' EQUITY

The stockholders' equity section of the Company contains the following classes of capital stock as of June 30, 2009:

* Preferred stock, \$ 0.0001 par value; 20,000,000 shares authorized:

3,050,478 Preferred shares issued and outstanding.

4,852 Series AA Preferred Shares issued and outstanding

725,409 Series B Preferred Shares issued and outstanding

• Common stock, \$ 0.0001 par value; 80,000,000 shares authorized: 40,284,977 shares issued and outstanding.

NOTE 8. COMMITMENTS AND CONTINGENCIES

On October 7, 2008, a Complaint (“Complaint”) was filed in the District Court of Clark County Nevada against the Company, the Company’s Chairman, and Freedom Environmental Services, Inc. (collectively “Defendants”) by Princeton Research, Inc. (“Princeton”) seeking to recover unspecified General damages in excess of \$10,000, unspecified specific damages, an order from the court declaring that the defendants fraudulently conveyed assets from BMXP to the Company, attorney’s fees and cost of suit based on allegations that the sale of Bio Matrix Scientific Group, Inc., a Nevada corporation, to the Company as well as the name change and cessation of operations of Freedom Environmental Services, Inc constitute a breach of contract by , fraudulent conveyance by, and unjust enrichment of the Defendants. On November 11, 2008 the company filed a Motion to Dismiss or in the Alternative an Order requiring Princeton to provide a more definitive statement of the allegations contained in the Complaint. The Company believes that the allegations in the complaint are without merit and intends to vigorously defend its interests in this matter. At this time, it is not possible to predict the ultimate outcome of these matters. Accordingly, the Company has not recorded any expense or liability for potential amounts associated with these claims.

NOTE 9. CONVERTIBLE DEBENTURES

On November 14, 2007 the Company sold a \$50,000 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$50,000 to one purchaser.

Interest on the Convertible Debenture shall accrue at a rate of 12% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 12% per annum, payable on the maturity Date, which is November 14, 2009.

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of the common stock of the Company by certain selling shareholders (the “Selling Shareholders Registration Statement”) has been declared effective by the SEC or
- (ii) the Selling Shareholder Registration Statement has been withdrawn by the Company,

the holder may convert the Convertible Debenture, in whole but not in part, into the Company’s common shares at the conversion rate of \$0.15 per Share.

Subsequent to any conversion, the holder shall have the right, upon written demand to Company (“Registration Demand”), to cause Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission (“SEC”) a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

On November 30, 2007, the Company sold \$75,000 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$75,000 to one purchaser.

Interest on the Convertible Debenture shall accrue at a rate of 12% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 12% per annum, payable on the maturity Date, which is November 14, 2009.

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of the Company’s common stock by certain selling shareholders (the “Selling Shareholders Registration Statement”) has been declared effective by the SEC or
- (ii) the Selling Shareholder Registration Statement has been withdrawn by the Company.

The holder may convert the Convertible Debenture, in whole but not in part, into the Company’s common shares at the conversion rate of \$0.15 per Share (“Conversion Shares”).

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company (“Registration Demand”), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission (“SEC”) a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

On January 8, 2008, the Company sold \$18,400 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$18,400 to one purchaser.

Interest on the Convertible Debenture shall accrue at a rate of 12% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 12% per annum, payable on the maturity Date, which is December 28, 2009.

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of our common stock by certain selling shareholders (the "Selling Shareholders Registration Statement") has been declared effective by the SEC or
- (ii) the Selling Shareholder Registration Statement has been withdrawn by the Company.

The holder may convert the Convertible Debenture, in whole but not in part, into our common shares at the conversion rate of \$0.15 per Share ("Conversion Shares").

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company ("Registration Demand"), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission ("SEC") a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

On January 18, 2008, the Company sold \$200,000 face value convertible debenture ("Convertible Debenture") for an aggregate purchase price of \$200,000 to one purchaser. Interest on the Convertible Debenture shall accrue at a rate of 14% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 14% per annum, payable on the maturity Date, which is January 12, 2010

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of our common stock by certain selling shareholders (the "Selling Shareholders Registration Statement") has been declared effective by the SEC or
- (ii) the Selling Shareholder Registration Statement has been withdrawn by the Company.

The holder may convert the Convertible Debenture, in whole but not in part, into our common shares at the conversion rate of \$0.25 per Share ("Conversion Shares").

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company ("Registration Demand"), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission ("SEC") a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

On January 18, 2008, the Company sold \$100,000 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$100,000 to one purchaser. Interest on the Convertible Debenture shall accrue at a rate of 14% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 14% per annum, payable on the maturity Date, which is January 12, 2010.

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of our common stock by certain selling shareholders (the “Selling Shareholders Registration Statement”) has been declared effective by the SEC or
- (ii) the Selling Shareholder Registration Statement has been withdrawn by the Company.

The holder may convert the Convertible Debenture, in whole but not in part, into our common shares at the conversion price of \$0.25 per Share (“Conversion Shares”).

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company (“Registration Demand”), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission (“SEC”) a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

The Company shall agree to the granting of a Lien to the Holder against collateral which the Company owns or intends to purchase, namely:

Flow Cytometer (4 Color) (BD Facscanto)
Laboratory computer system/also for enrollments/storage tracking
Hematology Analyzer (celldyne 1800)(ABBOTT)
Laminar Flow Hood 4 ft (Clean hood) (2)
Bench top centrifuges (2) refrigerated
Small equipment (lab set-up)
Microscope
Tube heat sealers (2 ea)
Barcode printer and labeling device

On February 15, 2008, the Company sold \$50,000 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$50,000 to one purchaser. Interest on the Convertible Debenture shall accrue at a rate of 12% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 12% per annum, payable on the maturity Date, which is February 15, 2010.

At any time subsequent to the expiration of a six month period since either of:

- (i) that Registration Statement, as amended, filed with the SEC on Form SB-2 relating to the sale of an aggregate of 17,195,263 shares of our common stock by certain selling shareholders (the “Selling Shareholders Registration Statement”) has been declared effective by the SEC or
- (ii) The Selling Shareholder Registration Statement has been withdrawn by the Company.

The holder may convert the Convertible Debenture, in whole but not in part, into our common shares at the conversion price of \$0.10 per Share (“Conversion Shares”).

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company (“Registration Demand”), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission (“SEC”) a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

On March 3, 2008 the Selling Shareholder’s Registration Statement was withdrawn by the Company.

On March 3, 2008, the Company sold \$10,000 face value convertible debenture (“Convertible Debenture”) for an aggregate purchase price of \$10,000 to one purchaser. Interest on the Convertible Debenture shall accrue at a rate of 12% per annum based on a 365 day year. The Company shall pay simple interest to the holder on the aggregate unconverted and then outstanding principal amount of this Convertible Debenture at the rate of 12% per annum, payable on the maturity Date, which is March 3, 2010.

At any time subsequent to the expiration of a six month period from March 3, 2008, the holder may convert the Convertible Debenture, in whole but not in part, into our common shares at the conversion rate of \$0.15 per Share (“Conversion Shares”).

Subsequent to any conversion, the holder shall have the right, upon written demand to the Company (“Registration Demand”), to cause the Company, within ninety days of the Registration Demand, to prepare and file with the United States securities and Exchange Commission (“SEC”) a Registration Statement in order that the Conversion Shares may be registered under the Securities Act of 1933, as amended, and use its reasonable best efforts to cause that Registration Statement to be declared effective by the SEC. There is no penalty to the Company in the event the registration Statement is not declared effective by the SEC.

NOTE 10. SUBSEQUENT EVENTS

On July 10, 2009 JB Clothing Corporation (“JBCC”) acquired Entest Biomedical, Inc. (“Entest”) a California corporation and wholly owned subsidiary of the Company, from the Company for consideration consisting of (a) the issuance to the Company of 10,000,000 newly issued common shares of JBCC and (b) the return by Mr. Rick Plote of 10,000,000 shares of JBCC’s common stock previously issued to him to JBCC for cancellation. With the return of ten million shares of JBCC’s common stock held by Mr. Plote, the Company has become JBCC’s largest single stockholder owning 71% of the share capital of JBCC and Entest has become a wholly owned subsidiary of JBCC.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CERTAIN FORWARD-LOOKING INFORMATION

Information provided in this Quarterly report on Form 10Q may contain forward-looking statements within the meaning of Section 21E or Securities Exchange Act of 1934 that are not historical facts and information. These statements represent the Company's expectations or beliefs, including, but not limited to, statements concerning future and operating results, statements concerning industry performance, the Company's operations, economic performance, financial conditions, margins and growth in sales of the Company's products, capital expenditures, financing needs, as well assumptions related to the forgoing. For this purpose, any statements contained in this Quarterly Report that are not statement of historical fact may be deemed to be forward-looking statements. These forward-looking statements are based on current expectations and involve various risks and uncertainties that could cause actual results and outcomes for future periods to differ materially from any forward-looking statement or views expressed herein. The Company's financial performance and the forward-looking statements contained herein are further qualified by other risks including those set forth from time to time in the documents filed by the Company with the Securities and Exchange Commission, including the Company's most recent Form 10KSB for the year ended September 30, 2008. All references to “We”, “Us”, “Company” or the “Company” refer to Bio-Matrix Scientific Group, Inc.

Material Changes in Financial Condition:

As of June 30, 2009, we had cash on hand of \$30,938 and as of September 30, 2008 we had cash on hand of \$8,410.

The increase in cash on hand of approximately 267% is primarily attributable to borrowings and sales of our securities.

As of December 31, 2008 we had Securities Available for Sale of \$0 as of September 30, 2008 we had Securities Available for Sale of \$550,000.

The decrease in Securities Available for Sale of 100% is primarily attributable to the liquidation of 1,000,000 common shares of Freedom Environmental Services, Inc. These shares comprised the Company’s entire portfolio of Securities Available for Sale.

As of June 30, 2009, we had prepaid expenses of \$31,400 and as of September 30, 2008 we had prepaid expenses of \$49,258.

The decrease in prepaid expenses of approximately 36% is primarily attributable to the recognition of expenses from September 30, 2008 to May 31, 2009 of approximately \$37,776 of a prepaid 12 month Contract entered into on March 21, 2008 offset primarily by prepayment of \$7,018 of interest expense and \$14,000 of consulting expenses.

As of June 30, 2009 we had Other Assets of \$25,507 and as of September 30, 2008 we had Other Assets of \$21,307.

The increase in Other Assets of approximately 20% is attributable to a security deposit on additional office space.

As of June 30, 2009 we had Accounts Payable of \$169,215 and as of September 30, 2008 we had Accounts Payable of \$89,974.

The increase in Accounts Payable of approximately 88% is primarily attributable to an increase in outstanding obligations to outside contractors.

As of June 30, 2009 we had Notes Payable of \$337,218 and as of September 30, 2008 we had Notes Payable of \$111,459.

The increase in Notes Payable of approximately 200 % is attributable to increased borrowing to cover operational costs.

As of June 30, 2009 we had Accrued Payroll of \$271,500 and as of September 30, 2008 we had Accrued Payroll of \$150,000.

The increase in Accrued Payroll of approximately 81% is primarily attributable to increases in employee compensation which have accrued and have not yet been paid.

As of June 30, 2009 we had Accrued Expenses of \$5,000 and as of September 30, 2008 we had Accrued Expenses of \$30,000.

The decrease in Accrued Expenses of approximately 500% is primarily attributable to the forgiveness of \$30,000 of accrued expenses offset by \$5,000 of accrued expenses incurred pursuant to the Company's license agreement with the Regents of the University of California

On September 29, 2008, the Company purchased 1,000,000 of the common shares of Freedom Environmental Services, Inc. ("FESI shares") from Bombardier Pacific Ventures, Inc. ("Bombardier"), a company controlled by David Koos, our Chairman and CEO, for consideration consisting of a Promissory Note ("Note") in the principal amount of \$500,000 issued by BMSN to Bombardier, resulting in an amount owed pursuant to the Note of \$500,000 as of September 30, 2008.

Pursuant to the terms and conditions of the Note, the entire principal amount of \$500,000 together with accrued simple interest of 10% per annum, is due and payable to Bombardier on November 29, 2009.

On December 21, 2008 Bombardier modified the Promissory Note with BMSN. Bombardier agreed to accept \$1,000 en lieu of the original \$500,000 payment owed by the Company to Bombardier for the purchase of FESI shares. This resulted in a decrease of \$499,000 of the amount due pursuant to the Note as of June 30, 2009, a decrease of approximately 99% from September 30, 2008.

Amounts Due to Shareholder were \$100,000 as of June 30, 2009 as opposed to \$-0- as of September 30, 2008. This increase is attributable to funds of \$100,000 advanced to the company by a non affiliate shareholder in anticipation of structuring a transaction at some future date.

Material Changes in Results of Operations

Revenues were -0- for the quarter ending June 30, 2009 and -0- for the same quarter ending June 30, 2008. Net losses were \$ 391,372 for the three months ended June 30, 2009 and \$1,063,446 for the same period ended June 30, 2008, a decrease of approximately 63%.

This decrease in Net Losses is primarily attributable to decreased professional and consulting fees incurred by us.

Revenues were -0- for the nine month period ending June 30, 2009 and -0- for the comparable period ending June 30, 2008. Net Losses were \$1,990,282 for the nine months ended June 30, 2009 and \$ 1,886,583 for the same period ended June 30, 2008, an increase of approximately 5%.

This increase in Net Losses is primarily attributable to a \$487,000 loss realized by the Company related to the company's sale of 1,000,000 common shares of Freedom Environmental Services, Inc. and increased interest expenses attributable to increases in Company indebtedness incurred in order to fund Company operations. offset primarily by decreased increased professional and consulting fees.

Liquidity and Capital Resources

As of June 30, 2009, we had \$30,938 cash on hand and current liabilities of \$1,479,666 such liabilities consisting of Accounts Payable, Notes Payable, Accrued Payroll Taxes, Amounts due to Shareholder, Convertible Notes, Note due to Affiliated Party, Accrued Expenses and Accrued Interest.

We feel we will not be able to satisfy its cash requirements over the next twelve months and shall be required to seek additional financing.

At this time, we plan to fund our financial needs through operating revenues (which cannot be assured) and, if required, through equity private placements of common stock. (No plans, terms, offers or candidates have yet been established and there can be no assurance that the company will be able to raise funds on terms favorable to us or at all.) We cannot assure that we will be successful in obtaining additional financing necessary to implement our business plan. We have not received any commitment or expression of interest from any financing source that has given us any assurance that we will obtain the amount of additional financing in the future that we currently anticipate. For these and other reasons, we are not able to assure that we will obtain any additional financing or, if we are successful, that we can obtain any such financing on terms that may be reasonable in light of our current circumstances.

We were not party to any material commitments for capital expenditures as of the end of the quarter ended June, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined by Rule 229.10(f) (1) of Regulation S-K, we are not required to provide the information required by this Item. We have chosen to disclose, however, that we have not engaged in any transactions, issued or bought any financial instruments or entered into any contracts that are required to be disclosed in response to this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of David Koos, who is the Company's Principal Executive Officer/Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer/Principal Financial Officer has concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered.

Changes in Internal Controls over Financial Reporting

In connection with the evaluation of the Company's internal controls during the period commencing on April 1, 2009 and ending June 30, 2009, David Koos, who is both the Company's Principal Executive Officer and Principal Financial Officer has determined that there were no changes to the Company's internal controls over financial reporting that have been materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On October 7, 2008, a Complaint (“Complaint”) was filed in the District Court of Clark County Nevada against the Company, the Company’s Chairman, and BMXP (currently named Freedom Environmental Services, Inc.) (collectively “Defendants”) by Princeton Research, Inc. (“Princeton”) seeking to recover unspecified General damages in excess of \$10,000, unspecified specific damages, an order from the court declaring that the defendants fraudulently conveyed assets from BMXP to the Company, attorney’s fees and cost of suit based on allegations that the sale of BMSG to the Company as well as the name change and cessation of operations of BMXP constitute a breach of contract by , fraudulent conveyance by, and unjust enrichment of the Defendants. The Company believes that the allegations in the complaint are without merit and intends to vigorously defend its interests in this matter. At this time, it is not possible to predict the ultimate outcome of these matters.

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

On April 21, 2009 the Company issued 800,000 shares of common stock to Preferred Shareholders in exchange for 800,000 shares of preferred stock.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On April 21, 2009 the Company issued 325,000 shares of common stock for services valued at \$42,250.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On April 24, 2009 the Company issued 53,496 shares of common stock in satisfaction of \$6,196 of accrued interest.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no

advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 8, 2009 the Company issued 226,540 shares of its common shares in satisfaction of \$11,067 in accrued interest owed by the Company

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock

On May 8, 2009 the Company issued 1,341,500 of its common shares in satisfaction of \$67075 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 8, 2009 the Company issued 461,200 of its common shares in satisfaction of \$6984 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock

On May 8, 2009 the Company issued 543,767 of its common shares in satisfaction of \$28,116 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 8, 2009 the Company issued 234,460 of its common shares in satisfaction of \$11,423 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 8, 2009 the Company issued 543,767 of its common shares in satisfaction of \$28,116 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 8, 2009 the Company issued 62,360 of its common shares in satisfaction of \$3,118 owed by the Company.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On May 15, 2009 the Company issued 780,000 shares of common stock to Preferred Shareholders in exchange for 780,000 shares of preferred stock.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On June 8, 2009 the Company issued 94,000 shares of common stock to Preferred Shareholders in exchange for 94,000 shares of preferred stock.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On June 22, 2009 the Company issued 200,000 shares of common stock for services valued at \$14,000.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock.

On June 22, 2009 the Company issued 4,000,000 shares of common stock in satisfaction of \$120,000 in accrued salary owed to an officer.

The offer and sale of the shares of common stock was exempt from the registration provisions of the Securities Act of 1933, as amended, by reason of Section 4(2) thereof.

The shares were offered directly through the management. No underwriters were retained to serve as placement agents. No commission or other consideration was paid in connection with the sale of the shares. There was no advertisement or general solicitation made in connection with this Offer and Sale of shares of common stock.

A legend was placed on the certificate that evidences the shares of Common Stock stating that the shares of Common Stock have not been registered under the Act and setting forth or referring to the restrictions on transferability and sale of the shares of Common Stock

Stock Dividend

On May 15, 2009 the Company paid a dividend of one Series B Preferred Share for every fifty common or preferred shares held of record as of May 5, 2009.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

31.1 Certification of Chief Executive Officer

31.2 Certification of Acting Chief Financial Officer

32.1 Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Acting Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

17

SIGNATURES

In accordance with the requirements of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bio- Matrix Scientific Group, Inc.
a Delaware corporation

By: /s/ David R. Koos
David R. Koos
Chief Executive Officer
Date: August 20, 2009