

Bio-Matrix Scientific Group, Inc.
Form 10-Q
August 14, 2012

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, 2012

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.)

4700 Spring Street, Suite 304, La Mesa, California

(Address of Principal Executive Offices)

91942

(Zip Code)

(619) 702-1404

(Registrant's telephone number, including area code)

Check whether the registrant (1) has filed all reports required to be filed by

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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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 216,948,784 shares of Common Stock outstanding as of June 30, 2012.

PART I - FINANCIAL INFORMATION

BIOMATRIX SCIENTIFIC GROUP, INC.
A Development Stage Company
CONSOLIDATED BALANCE SHEET

ASSETS	June 30, 2012 (unaudited)	September 30, 2011
CURRENT ASSETS		
Cash	\$ 29,887	\$ 331
Prepaid Expenses	39,925	39,925
Total Current Assets	69,812	40,256
PROPERTY & EQUIPMENT (Net of Accumulated Depreciation)	20,789	20,789
OTHER ASSETS		
Deposits	4,200	4,200
Deferred Financing Costs	65,000	-
Investment in Subsidiary	-	41,735,443
Available for Sale Securities	120,000	-
	189,200	41,739,643
TOTAL ASSETS	\$ 279,801	\$ 41,800,688
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 131,023	\$ 130,507
Notes Payable	833,393	169,575
Accrued Payroll	127,000	627,000
Accrued Payroll Taxes	23,780	23,780
Accrued Interest	209,728	154,930
Accrued Expenses	5,000	5,000
Convertible Note Payable Net of Unamortized Discount	275,930	313,701
Due to Affiliate	52,940	59,500
Current portion, note payable to affiliated party	1,000	1,000
Total Current Liabilities	1,659,794	1,484,993
Total Liabilities	1,659,794	1,484,993
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock (\$.0001 par value) 20,000,000 shares authorized; 20,000,000 shares authorized; 1,963,821 issues and outstanding as of September 30, 2011 and June ,2012	197	197

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Series AA Preferred (\$0.0001 par value) 100,000 shares authorized 4,852 and 94,852 issued and outstanding as of September 30, 2011 and June 30, 2012	9	
Series B Preferred Shares (\$0.0001 par value) 2,000,000 shares authorized; 725,409 issued and outstanding as of September 30, 2011 and June 30, 2012	73	73
Common Stock (\$0.0001 par value) 500,000,000 shares authorized; 72,189,747 and 216,948,784 issued and outstanding as of September 30, 2011 and June 30, 2012	21,692	7,219
Additional Paid in Capital	12,245,617	11,498,731
Contributed Capital	509,355	509,355
Retained Earnings (Deficit) accumulated during the development stage	28,260,035	29,101,648
Accumulated Other Comprehensive Income (Loss)	(41,216,361)	-
Equity in Earnings (Loss) of subsidiary	(663,649)	(264,567)
Deficit attributable to noncontrolling interest in subsidiary	(536,961)	(536,961)
Total Stockholders' Equity (Deficit)	(1,379,993)	40,315,695
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	\$ 279,801	\$ 41,800,688

The following Notes are an integral part of these Financial Statements

BIOMATRIX SCIENTIFIC GROUP, INC.
A Development Stage Company
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,		From Inception (August 2, 2005)
	2012	2011	2012	2011	through June 30, 2012
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
COST AND EXPENSES					
Research and Development				51,286	1,255,171
General and Administrative	73,189	80,352	262,932	465,744	6,366,254
Depreciation and Amortization					2,668
Consulting and Professional Fees	44,346	12,334	102,587	44,750	4,915,801
Impairment of Goodwill and Intangibles					34,688
Total Costs and Expenses	117,535	92,686	365,519	561,600	12,574,582
OPERATING LOSS	(117,535)	(92,686)	(365,519)	(561,600)	(12,574,582)
OTHER INCOME & (EXPENSES)					
Interest Expense	(5,859)	(13,404)	(54,798)	(47,616)	(413,333)
Loss on Early Extinguishment of Debt	(29,106)		(29,106)		(29,106)
Interest Expense attributable to amortization of discount	(317,050)		(339,452)		(339,452)
Interest Income					306
Securities issued pursuant to contractual obligations	(52,738)		(52,738)		(52,738)
Other Income				146,791	176,891
Gain on de-consolidation of subsidiary				42,182,649	42,182,649
Loss on sale of Available for Sale Securities					(487,900)
Loss on disposal of Equipment		(510,570)		(510,780)	(510,782)
Other Expense					(166)
Other Losses attributable to subsidiary					(228,713)
Total Other Income & (Expense)	(404,753)	(524,184)	(476,094)	(228,715)	40,297,656
NET INCOME (LOSS)	(522,288)	(616,870)	(841,613)	41,542,329	27,723,074
(Net Income) Loss attributable to noncontrolling interest				229,845	536,961
NET INCOME (LOSS) before equity in subsidiary losses	(522,288)	(616,860)	(841,613)	41,210,574	28,260,035
Equity in Net Income (Loss) of subsidiary	0	(69,870)	(399,082)	(171,705)	(663,649)
NET INCOME (LOSS) attributable to common shareholders	(522,288)	(686,737)	(1,240,695)	41,038,869	27,596,386

BASIC AND FULLY DILUTED

EARNINGS (LOSS)	(0.00)	(0.01)	(0.01)	0.58
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Weighted average number of

shares outstanding	127,570,136	72,189,747	163,598,418	71,273,996
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The following Notes are an integral part of these Financial Statements

BIOMATRIX SCIENTIFIC GROUP, INC.

A Development Stage Company
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the nine months ended June 30,		From Inception (August 2, 2005) through June 30, 2012
	2012	2011	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (loss)	\$ (1,240,695)	\$ 41,038,869	\$ 27,596,386
Adjustments to reconcile net Income to net cash (used in) provided by operating activities:			
Depreciation expense			2,667
Stock issued for compensation to employees	7,209	71,440	1,193,551
Stock issued for services rendered by consultants	65,000	62,400	4,148,130
Stock issued for prepaid expenses			313,665
Stock issued for interest	-	6,821	138,547
Changes in operating assets and liabilities:			
(Increase) decrease in prepaid expenses		500	(39,925)
Increase (Decrease) in Accounts Payable	513	(120,723)	131,021
Increase (Decrease) in Accrued Expenses	(445,202)	101,541	395,444
Increase (Decrease) in Other Comprehensive Income	(41,216,361)		(41,266,361)
(Increase) Decrease in Employee Receivable		1,396	
Increase (Decrease) in Due to Affiliate	(6,560)	73,500	52,940
Non cash increase in Investment in Entest		(42,000,000)	(42,000,000)
Loss attributable to Non Controlling interest in subsidiary		(229,845)	(536,961)
Equity in Loss of Entest	399,082	171,705	663,649
Net Cash Provided by (Used in) Operating Activities	(42,437,014)	(822,396)	(49,207,247)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Other Assets		22,366	(4,200)
Purchases of fixed assets			(541,536)
Disposal of Fixed Assets		7,300	7,300
Loss on Disposal of Equipment		510,780	510,780
Net Cash Provided by (Used in) Investing Activities	-	540,446	(27,656)
CASH FLOWS FROM FINANCING ACTIVITIES			
Preferred Stock issued for cash			339
Common stock issued for cash			1,630
Common Stock issued for Debt	255,000	89,992	1,551,053
Common Stock issued for Accrued Salaries			424,500

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Common Stock issued pursuant to Contractual Obligations	52,738		52,738
Additional paid in Capital	381,424	336,498	2,398,841
Principal borrowings on Convertible Debentures	(37,771)	(19,699)	275,930
Principal borrowings (repayments) on notes and Convertible Debentures	663,818	(120,065)	1,652,849
(Increase) Decrease in Securities available for Sale	(120,000)		(70,000)
(Increase) Decrease in Investment in Subsidiary	41,336,361		41,336,361
Contributed Capital			509,353
Net Borrowings From Related Parties			1,195,196
Increase (Decrease) in Notes from Affiliated party			1,000
(Increase) Decrease in Deferred Financing Costs	(65,000)		(65,000)
Net Cash Provided by (Used in) Financing Activities	42,466,570	286,726	49,264,790
Net Increase (Decrease) in Cash	29,556	4,776	29,887
Cash at Beginning of Period	331	306	-
Cash at End of Period	\$ 29,887	\$ 5,082	\$ 29,887

The following Notes are an integral part of these Financial Statements

BIO-MATRIX SCIENTIFIC GROUP, INC.

(A Development Stage Company)

Notes to condensed consolidated Financial Statements

As of June 30, 2012

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 year ended September 30, 2011 and notes thereto included in the Company's 10-K 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.

A. BASIS OF ACCOUNTING

The financial statements have been prepared using the basis of accounting generally accepted in the United States of America. Under this basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred. The Company has adopted a September 30, year-end.

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Bio-Matrix Scientific Group, inc., a Delaware corporation, Bio Matrix Scientific Group, Inc, a Nevada corporation and a wholly owned subsidiary (BMSG), Regen BioPharma, Inc, a Nevada corporation and a wholly owned subsidiary (Regen) and Entest BioMedical, Inc., (Entest), which was a majority owned subsidiary under common control and a Nevada corporation up to February 3, 2011. Significant inter-company transactions have been eliminated.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. DEVELOPMENT STAGE

The Company is a development stage company devoting substantially all of its efforts to establish a new business.

E. CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Maintenance and repairs are expensed in the year in which they are incurred. Expenditures that enhance the value of property and equipment are capitalized.

G. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard that the Company uses to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

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

The Company's financial instruments as of June 30, 2012 consisted of \$833,393 of Notes Payable, \$275,930 of Convertible Notes payable (including discount attributable to beneficial conversion feature) and \$52,940 due to Entest BioMedical. The fair value of all of the Company's financial instruments as of June 30, 2012 were valued according to the Level 2 input. The carrying amount of the financial instruments is equal to the fair value as determined by the Company

H. INCOME TAXES

The Company accounts for income taxes using the liability method prescribed by ASC 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company applied the provisions of ASC 740-10-50, *Accounting For Uncertainty In Income Taxes*, which provides clarification related to the process associated with accounting for uncertain tax positions recognized in our financial statements. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. As of March 31, 2011 and 2010, the Company had no uncertain tax positions, and will continue to evaluate for uncertain positions in the future.

The Company generated a deferred tax credit through net operating loss carry forward. However, a valuation allowance of 100% has been established.

Interest and penalties on tax deficiencies recognized in accordance with ACS accounting standards are classified as income taxes in accordance with ASC Topic 740-10-50-19.

I. BASIC EARNINGS (LOSS) PER SHARE

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 260, "Earnings Per Share", which specifies the computation, presentation and disclosure requirements for earnings (loss) per share for entities with publicly held common stock. ASC 260 requires the presentation of basic earnings (loss) per share and diluted earnings (loss) per share. The Company has adopted the provisions of ASC 260 effective from inception.

Basic net loss per share amounts is computed by dividing the net income by the weighted average number of common shares outstanding.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this update generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRS. The amendments in this update are to be applied prospectively. The amendments are effective for interim and annual periods beginning after December 15, 2011. Early application is not permitted. The Company does not expect this guidance to have a significant impact on its consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." This update was amended in December 2011 by ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This update defers only those changes in update 2011-05 that relate to the presentation of reclassification adjustments. All other requirements in update 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. ASU No. 2011-05 and 2011-12 are effective for fiscal years (including interim periods) beginning after December 15, 2011. The Company does not expect this guidance to have a significant impact on its consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." The amendments in this update require enhanced disclosures around financial instruments and derivative instruments that are either (1) offset in accordance with either ASC 210-20-45 or ASC 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either ASC 210-20-45 or ASC 815-10-45. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The amendments are effective during interim and annual periods beginning on or after January 1, 2013. The Company does not expect this guidance to have any impact on its consolidated financial position, results of operations or cash flows.

ASU 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment* is applicable to fiscal years beginning after December 15, 2011. Early application is permitted. The Company does not expect this ASU has a material impact on its financial position or carrying value of its intangible assets at this time.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, the Company's management has not determined whether implementation of such standards would be material to its financial statements.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2012 consists of the following:

Acquisition cost:

Estimate useful life (year)

Office equipment	3 to 5	7,250
Computer	3	16,207
Subtotal		23,457
Less accumulated depreciation		(2,668)
Total		\$US 20,789

Depreciation expenses were \$0 and \$ 0 for the year ended September 30, 2011 and nine months ended June 30, 2012, respectively. With the exception of one computer which is fully depreciated, no property and equipment has yet to be utilized in production therefore no depreciation shall be recognized until usage commences.

NOTE 4. OPTIONS AND WARRANTS

As of June 30, 2012 the Company has no outstanding exercisable warrants or options.

NOTE 5. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Exclusive of a onetime non-cash gain of \$42,182,649 recognized upon the deconsolidation of Entest, The Company generated net losses of \$ 14,586,263 (including \$536,961 of Net Losses attributable to non-controlling interest in Entest and \$663,649 in Equity in Net Losses of Entest) during the period from August 2, 2005 (inception) through March 31, 2012. 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 by offering securities for cash.

On April 26, 2012 the Company executed an Equity Purchase Agreement (the "Purchase Agreement") and Registration Rights Agreement (the "Rights Agreement") with Southridge Partners II, LP, and a Delaware limited partnership ("Southridge").

Under the terms of the Purchase Agreement, Southridge will purchase, at the Company's election, up to \$20,000,000 of the Company's registered common stock (the "Shares"). During the term of the Purchase Agreement, the Company may at any time deliver a "put notice" to Southridge thereby requiring Southridge to purchase a certain dollar amount of the Shares. Simultaneous with the delivery of such Shares, Southridge shall deliver payment for the Shares. Subject to certain restrictions, the purchase price for the Shares shall be equal to 91% of the Market Price, as such capitalized term is defined in the Purchase Agreement, on such date on which the Purchase Price is calculated in accordance with the terms and conditions of this Agreement.

Market Price, as such term is defined in the Purchase Agreement, means the lowest Closing Price, as such term is defined in the Purchase Agreement, during the Valuation Period, as such term is defined in the Purchase Agreement.

Closing Price is defined in the Purchase Agreement as the closing bid price for the Company's common stock on the principal market over which the Company's common shares trade on a day on which that principal market is open for business as reported by Bloomberg Finance L.P.

Valuation Period, as such term is defined in the Purchase Agreement, means the period of 5 Trading Days immediately following the Clearing Date, as such term is defined in the Purchase Agreement, associated with the applicable Put Notice during which the Purchase Price of the Shares is valued.

Clearing Date, as such term is defined in the Purchase Agreement, means the date in which the Estimated Put Shares (as defined in Section 2.2(a) of the Purchase Agreement) have been deposited into Southridge's brokerage account and Southridge's broker has confirmed with Southridge that Southridge may execute trades of such Estimated Put Shares.

The definition of Estimated Put Shares in Section 2.2(a) of the Purchase Agreement is that number of Shares equal to the dollar amount indicated in the Put Notice divided by the Closing Price on the Trading Day immediately preceding the Put Date, multiplied by 125%. Pursuant to the Purchase Agreement, on a Put Date the Company will be required to the applicable number of Estimated Put Shares to Southridge's brokerage account. At the end of the Valuation Period the Purchase Price shall be established and the number of Shares shall be determined for a particular Put. If the number of Estimated Put Shares initially delivered to Southridge is greater than the Put Shares purchased by Southridge pursuant to such Put, then immediately after the Valuation Period Southridge shall deliver to Company any excess Estimated Put Shares associated with such Put. If the number of Estimated Put Shares delivered to Investor is less than the Shares purchased by Southridge pursuant to a Put, then immediately after the Valuation Period the Company shall deliver to Southridge the difference between the Estimated Put Shares and the Shares issuable pursuant to such Put.

The number of Shares sold to Southridge shall not exceed the number of such shares that, when aggregated with all other shares of common stock of the Company then beneficially owned by Southridge, would result in Southridge owning more than 9.99% of all of the Company's common stock then outstanding. Additionally, Southridge may not execute any short sales of the Company's common stock.

The Purchase Agreement shall terminate (i) on the date on which Southridge shall have purchased Shares pursuant to this Agreement for an aggregate Purchase Price of \$20,000,000, or (ii) on the date occurring 24 months from the date on which the Agreement was executed and delivered by the Company and Southridge.

Under the terms of the Rights Agreement, the Company agreed to file a registration statement with the Securities and Exchange Commission within 90 days of the date on which the Purchase Agreement was executed and delivered by the Company and Southridge.

The registration statement shall be filed with respect to not less than the maximum allowable number of Shares issuable pursuant to a put notice to Southridge that has been exercised or may be exercised in accordance with the terms and conditions of the Purchase Agreement permissible under Rule 415, promulgated under the Securities Act of 1933.

The Company is obligated to keep such registration statement effective until (i) three months after the last closing of a sale of Shares under the Purchase Agreement, (ii) the date when Southridge may sell all the Shares under Rule 144 without volume limitations, or (iii) the date Southridge no longer owns any of the Shares.

The Purchase Agreement requires the Company to reserve and keep available until the consummation of such Closing, free of preemptive rights sufficient shares of common stock for the purpose of enabling the Company to satisfy its obligation to issue the Shares.

The Purchase Agreement also requires the Company to issue to Southridge shares of a newly designated preferred stock with a stated value of \$50,000 convertible at the option of Southridge into shares of the Company's common stock at a conversion price equal to seventy percent (70%) of the lowest Closing Price for the five (5) trading days immediately preceding a conversion notice. The Preferred Stock shall have no registration rights. Such securities may not be issued until the Certificate of Incorporation of the Company is amended.

NOTE 6. INCOME TAXES**As of June 30, 2012**

Deferred tax assets:	
Net operating tax carry forwards	\$ 5,118,705
Other	-0-
Gross deferred tax assets	5,118,705
Valuation allowance	(5,118,705)
Net deferred tax assets	\$ -0-

As of June 30, 2012 the Company has a Deferred Tax Asset of \$5,118,705 completely attributable to net operating loss carry forwards of approximately \$14,624,879 (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 of BMSG and

(b) \$14,586,263 attributable to Bio-Matrix Scientific Group, Inc. a Delaware corporation, BMSG, Regen and Entest

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.

NOTE 7. RELATED PARTY TRANSACTIONS

Between April 1, 2012 and June 30, 2012 David R. Koos, the Company's Chairman and CEO, made net loans to the Company totaling \$3,640. The total amount owed by the Company to Mr. Koos as of June 30, 2012 is \$16,278.

These loans and any accrued interest are due and payable at the demand of Mr. Koos and bear simple interest at the rate of 15% per annum. As of June 30, 2012 no monies are due to Bombardier Pacific ventures, a company controlled by David Koos.

On June 15, 2009 Entest entered into an agreement with the Company whereby Entest has agreed to sublease approximately 3,000 square feet of office space from the Company for a term of 3 years for consideration consisting of monthly rental payments of \$4,100 per month. Beginning October 2010 Entest has been paying rental expenses directly to the owner of the subleased space and is currently carrying a balance of \$59,500 of rental expenses prepaid to the Company. Between January 25, 2012 and February 14, 2012 the Company became indebted to Entest in the amount of an additional \$240 for expenses paid on behalf of the Company by Entest. During the Quarter ended June 30, 2012 the Company made payment of \$6,800 to Entest reducing the amount due to Entest to \$52,940 as of June 30, 2012.

NOTE 8. NOTES PAYABLE

	June 30, 2012	September 30, 2011
Bio Technology Partners Business Trust	45,000	24,100
Bombardier Pacific Ventures	0	36,281
Venture Bridge Advisors	72,115	109,294
David Koos (Note 7)	16,278	--
Sherman Family Trust	700,000	
Notes payable	\$ 833,393	\$ 169,575

Both of Bio-Technology Partners Business Trust and Venture Bridge Advisors have provided lines of credit to the Company in the amount of \$700,000 each or so much thereof as may be disbursed to, or for the benefit of the Company by Lender in Lender's sole and absolute discretion. The unpaid principal of these lines of credit bear simple interest at the rate of ten percent per annum. Interest is calculated based on the principal balance as may be adjusted from time to time to reflect additional advances or payments made hereunder. Principal balance and accrued interest shall become due and payable in whole or in part at the demand of the Lender.

All loans to the Company made by either of David R. Koos or Bombardier Pacific Ventures are due and payable at the demand of Koos or Bombardier and bear simple interest at a rate of 15% per annum.

\$700,000 due to Sherman Family Trust consists of all rights to and interest in \$700,000 of salaries accrued and unpaid due to David Koos. \$700,000 due to Sherman Family Trust bears no interest and is payable in whole or in part at the demand of the Holder.

NOTE 9. STOCKHOLDERS' EQUITY

The stockholders' equity section of the Company contains the following classes of capital stock as June 30, 2012:

Preferred stock, \$ 0.0001 par value; 20,000,000 shares authorized, following series issued and outstanding:

1,963,821 Preferred Shares issued and outstanding.

94,852 Series AA Preferred Shares issued and outstanding.

725,409 Series B Preferred Shares issued and outstanding.

* Common stock, \$ 0.0001 par value; 500,000,000 shares authorized: 216,948,784 shares issued and outstanding.

NOTE 10. 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:

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(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:

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(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.

On February 2, 2010 the Company issued 1,433,333 common shares in full satisfaction of a \$100,000 face value of convertible debentures bearing interest at 14% per annum.

On February 10, 2010 the Company issued 3,000,000 shares of common stock in satisfaction of \$30,000 owed by the Company to holders of the Company s convertible debentures bearing interest at 12% per annum.

On March 31, 2010 the Company issued 4,000,000 shares of common stock in satisfaction of \$40,000 owed by the Company to holders of the Company's convertible debentures bearing interest at 12% per annum.

On February 17, 2011 the Company issued 1,785,714 common shares in satisfaction of \$50,000 face value of convertible debentures.

On December 19, 2011, the Company issued a convertible promissory note in the amount of \$50,000 which was funded on December 22, 2011. The note bears an interest rate of eight percent (8%), matures on September 19, 2012 and may be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a forty five percent (45%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date. The issuance of the note amounted in a beneficial conversion feature of \$40,909 which is amortized under the Interest Method. This convertible promissory note was satisfied in its entirety by the Company as a result of payment to the Holder of \$76,884 on June 11, 2012 in accordance with the prepayment conditions of the note. A Loss on Early Extinguishment of Debt of \$29,106 was recognized by the Company as a result of this prepayment.

On February 28, 2012, the Company issued a convertible promissory note in the amount of \$27,500 which was funded on March 6, 2012. The note bears an interest rate of eight percent (8%), matures on November 30, 2012 and may be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a forty five percent (45%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date.

On April 23, 2012, for no additional consideration, the Company agreed to amend the terms of \$25,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price (Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$16,666 which has been fully amortized. On April 25, 2012 the Company issued 6,944,444 common shares in full satisfaction of this \$25,000 in indebtedness.

On April 23, 2012, for no additional consideration, the Company agreed to amend the terms of \$10,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided

that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$6,666 which has been fully amortized. On April 23, 2012 the Company issued 2,777,778 common shares in full satisfaction of this \$10,000 in indebtedness.

On April 23, 2012, for no additional consideration, the Company agreed to amend the terms of \$15,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$10,000 which has been fully amortized. During the quarter ended June 30, 2012 the Company issued 4,168,541 common shares in full satisfaction of this \$15,000 in indebtedness.

On May 2, 2012 the Company issued 3,000,000 common shares in satisfaction of \$3,000 of existing convertible debt.

On May 3, 2012, for no additional consideration, the Company agreed to amend the terms of \$10,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$5,384 which has been fully amortized. On May 11, 2012 the Company issued 2,564,103 common shares in full satisfaction of this \$10,000 in indebtedness.

On May 4, 2012, for no additional consideration, the Company agreed to amend the terms of \$80,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price (Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$31,111 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 41,431,532 common shares in full satisfaction of this \$80,000 in indebtedness.

On May 7, 2012, the Company issued a convertible promissory note in the amount of \$53,000. The note bears an interest rate of eight percent (8%), matures on February 4, 2013 and may be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a forty five percent (45%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date. The issuance of the note amounted in a beneficial conversion feature of \$53,000 which is amortized under the Interest Method.

On May 10, 2012, for no additional consideration, the Company agreed to amend the terms of \$40,000 of existing indebtedness to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 51% the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date. The reclassification of this debt resulted in the recognition of a beneficial conversion feature of \$28,000 which has been fully amortized. During the quarter ended June 30, 2012 the Company issued 15,331,392 common shares in full satisfaction of this \$40,000 in indebtedness.

On June 1, 2012, for no additional consideration, the Company agreed to amend the terms of \$40,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price (Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$40,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 5,333,333 common shares in satisfaction of \$16,000 of this indebtedness.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$40,000 of outstanding convertible debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$40,000 which has been fully amortized.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$31,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$31,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 6,000,000 common shares in satisfaction of \$9,000 of this indebtedness.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$15,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$15,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 6,000,000 common shares in satisfaction of \$9,000 of this indebtedness.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$15,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$15,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 6,000,000 common shares in satisfaction of \$9,000 of this indebtedness.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$10,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$10,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 6,333,333 common shares in satisfaction of \$9,000 of this indebtedness.

On June 7, 2012, for no additional consideration, the Company agreed to amend the terms of \$21,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the

closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$14,000 which has been fully amortized. During the Quarter ended June 30, 2012 the Company issued 6,000,000 common shares in satisfaction of \$9,000 of this indebtedness.

On June 22, 2012, for no additional consideration, the Company agreed to amend the terms of \$22,300 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$7,433 which has been fully amortized.

On June 22, 2012, for no additional consideration, the Company agreed to amend the terms of \$17,179 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 7 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price(Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$6,871 which has been fully amortized., 2012

On June 22, 2012, for no additional consideration, the Company agreed to amend the terms of \$5,000 of outstanding debt to allow conversion at the Holder's option into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price); provided that if the closing bid price for the common stock on the date in which the conversion shares are deposited into Holder's brokerage account and confirmation has been received that Holder may execute trades of the conversion shares (Clearing Date) is lower than the Closing Bid Price, then the purchase price for the conversion shares would be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price (Reset). The Company has agreed on a limitation on conversion equal to 9.99% of the Company's outstanding common stock. The issuance of the note amounted in a beneficial conversion feature of \$2,000 which has been fully amortized.

At June 30, 2012, the following convertible debentures remain outstanding:

(a) \$64,000 in aggregate convertible debt bearing simple interest at 14% per annum convertible into the Company's common stock at share and convertible into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during the 5 trading days immediately preceding a conversion date, as reported by Bloomberg.

(b) \$90,479 in aggregate convertible debt bearing simple interest at 10% per annum convertible into the Company's common stock at share and convertible into common shares of the Company at a conversion price per share equal to 60% (the Discount) of the lowest closing bid price for the Company's common stock during agreed upon periods ranging from five to seven days immediately preceding a conversion date, as reported by Bloomberg.

(c) \$80,701 in aggregate convertible debt bearing simple interest at 12% per annum convertible into the Company's common stock at \$0.025 per share.

(d) \$80,500 bearing simple interest at 8% per annum of which:

\$27,500, which matures on November 30, 2012, be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a forty five percent (45%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date.

\$53,000, which matures on February 4, 2013 and may be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a forty five percent (45%) discount to the

average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date. The issuance of the note amounted in a beneficial conversion feature of \$53,000 which is amortized under the Interest Method.

Convertible Debentures described in (a) and (b) and (c) are currently due and payable. The holders have not made a demand for payment

NOTE 11. COMMITMENTS AND CONTINGENCIES

On February 3, 2011, a Complaint (Complaint) was filed in the U.S. District Court Middle District of the State of Pennsylvania against the Company, the Company's Chairman and Entest. by 18KT.TV LLC (Plaintiffs). The Complaint is seeking damages from the Company and Entest in excess of \$125,000 and alleges breach of contract, unjust enrichment and breach of implied in fact contract by the Company and Entest in connection with agreements entered into with the plaintiffs by both the Company and Entest.

On October 24, 2011 a Complaint (Complaint) was filed in the Superior Court of the State of California, County of San Diego Central Division against the Company, the Company's Chairman, and American Stock Transfer and Trust Company LLC by Rick Plote. The Complaint seeks damages from the defendants jointly and severally of no less than \$615,000 and alleges breach of written agreement, breach of written guarantee and fraud in connection with the defendant's failure to transfer 4,000,000 common shares of the Company beneficially owned by the company's Chairman and CEO and pledged by the Company's Chairman to secure payment of a promissory note issued by an unaffiliated third party.

NOTE 12. INVESTMENT SECURITIES

As of the quarter ending June 30, 2012 the Company reclassified 10,000,000 common shares of Entest as Securities Available for Sale from Securities Accounted for under the Equity Method.

NOTE 13. STOCK TRANSACTIONS

During the Quarter ended June 30, 2012, the Company:

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Issued 5,000,000 Common Shares to the order of a broker dealer in consideration for services rendered as Placement Agent and valued at \$65,000.

Issued 12,000,000 shares to an employee for services rendered valued at \$86,400 subject to a vesting schedule

Issued 114,448,960 Common Shares in satisfaction of \$255,000 of Convertible Notes Payable

Issued 90,000 shares of Series AA Preferred Stock to the Company's CEO

Issued 13,310,078 common shares pursuant to contractual obligations to debt holders resulting in the Company recognizing expenses of \$52,738 in connection with such issuances.

NOTE 14. SUBSEQUENT EVENTS

On July 2, 2012 the Company issued 6,208,333 shares of its common stock in satisfaction of \$14,900 of outstanding convertible debt.

On July 2, 2012 the Company issued 4,892,473 common shares in satisfaction of \$9,100 of outstanding convertible debt

On July 2, 2012 the Company issued 333,333 common shares in satisfaction of \$1,000 of outstanding convertible debt

On July 5, 2012 the Company issued 12,000,000 common shares to an employee for services.

On July 9, 2012 the Company issued 204,301 common shares to a debt holder pursuant to contractual provisions in the debt instrument.

On July 13, 2012 the Company issued 3,250,494 common shares to an existing debt holder.

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On July 16, 2012 the Company issued 2,696,274 in satisfaction of \$5015 of convertible debt

On July 16,2012 the Company issued 8,884,409 common shares in satisfaction of \$16,525 of outstanding convertible debt.

On July 16, 2012 the company issued 503,378 common shares to a debt holder pursuant to contractual provisions in the debt instrument.

On July 25 the Company issued a convertible promissory note in the amount of \$ 63,000. The note bears an interest rate of eight percent (8%), matures on April 30, 2013 and may be converted after 180 days from execution of this note for shares of the Company s common stock. The note may be converted at a thirty nine percent (39%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date.

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 concern 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 10Kfor the year ended September 30, 2011. 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, 2012 we had cash on hand of \$28,887 and as of September 30, 2011 we had cash on hand of \$331.

The increase in cash on hand of approximately 8,660 % is primarily attributable to loans made to the Company

As of June 30, 2012 we had Deferred Financing Costs of \$65,000 and as of September 30, 2011 we had Deferred Financing Costs of \$0.

The increase in Deferred Financing Costs are primarily attributable to the issuance of 5,000,000 Common Shares to the order of Capital Path Securities in consideration for services rendered as Placement Agent in connection with the April 26, 2012 Equity Purchase Agreement and Registration Rights Agreement (the Company executed with Southridge Partners II, LP.

As if June 30,2012 we had an Investment in Subsidiary of \$0 and as of September 30, 2011 we had an Investment in Subsidiary of \$41,735,443.

The reduction in Investment in Subsidiary is primarily attributable to:

(a)

Decrease in Investment In Subsidiary resulting from recognition of \$399,082 of Equity in Net Loss of the subsidiary during the nine months ended June 30, 2012

(b)

Reclassification of Investment In Subsidiary as Available for Sale Securities as a result of Company's ownership of the subsidiary falling to below 20% during the three months ended June 30, 2012.

As if June 30, 2012 we had Available for Sale Securities of \$120,000 and as of September 30, 2011 we had Available for Sale Securities of \$0. The increase in Available for Sale Securities is primarily attributable to reclassification of Investment In Subsidiary as Available for Sale Securities as a result of Company's ownership of the subsidiary falling to below 20% during the three months ended June 30, 2012 offset by subsequent remeasurement based on unrealized loss.

As of June 30, 2012 we had Notes Payable of \$833,393 and as of September 30, 2011 we had Notes Payable of \$169,575.

This increase of approximately 391% is primarily attributable to:

(a)

Reclassification of \$700,000 of Accrued Salaries as Notes Payable due to transfer of all rights to and interest in the Accrued Salaries to a nonrelated third party.

(b)

Additional borrowings of approximately \$140,297.

Offset by Reclassification of approximately \$176,479 of Notes Payable as Convertible Notes Payable as a result of modification of terms and conditions.

As of June 30, 2012 we had Accrued Payroll of \$127,000 and as of September 30, 2011 we had Accrued Payroll of \$627,000.

This decrease of approximately 79% is primarily attributable to:

(a)

Reclassification of \$700,000 of Accrued Salaries as Notes Payable due to transfer of all rights to and interest in the Accrued Salaries to a nonrelated third party offset by

(b)

The accrual of \$200,000 of unpaid salary expenses during the nine months ended June 30, 2012.

As of June 30, 2012 we had Accrued Interest of \$209,738 and as of September 30, 2011 we had Accrued Interest of \$154,930.

This increase of approximately 35% is primarily attributable to an increase in interest accrued yet unpaid on Notes and Convertible Notes issued by the Company.

As of June 30, 2012 we had \$275,930 in Convertible Notes payable and as of September 30, 2011 we had \$313,701 in Convertible Notes payable.

This decrease of approximately 12 % is primarily attributable to:

(a)

The satisfaction of \$50,000 of convertible indebtedness through the payment of \$76,884 on June 11, 2012.

(b)

The satisfaction of \$255,000 of convertible debt through the issuance of common stock

Offset by:

(a)

the issuance by the Company of a convertible promissory note in the amount of \$50,000 which was funded on December 22, 2011 for which a beneficial conversion feature of \$40,909 was recognized which is amortized under the Interest Method and of which \$18,507 remains unamortized as of March 31, 2012.

(b)

the issuance by the Company of a convertible promissory note in the amount of \$27,500 on February 28, 2012 which was funded on March 6, 2012.

(c)

The reclassification of approximately \$176,479 of Notes Payable as Convertible Notes Payable as a result of modification of terms and conditions.

(d)

Amortization of \$339,452 of discount attributable to Beneficial Conversion Features recognized in connection with issuance of convertible debt.

As of June 30, 2012 we had \$52,940 in Amount Due to Affiliate and as of September 30, 2011 we had \$59,500 in Amount Due to Affiliate. The decrease of approximately 11% is attributable to:

(a)

Payment of \$240 of expenses on behalf of the Company by Entest Biomedical, Inc, an affiliate of the Company during the nine months ended June 30, 2012.

(b)

Payment of \$6,800 to Entest Biomedical, Inc by the Company during the nine months ended June 30, 2012.

Material Changes in Results of Operations

Revenues were -0- for the quarter ending June 30, 2012 and -0- for the same quarter ending 2011. Net Losses were \$522,288 for the three months ended June 30, 2012. Net Losses were \$686,737 for the same quarter ending 2011 .

For the quarter ended June 20, 2012:

(a)

Consulting expenses increased approximately 259% when compared to the same period ended 2011

(b)

General and Administrative Expenses decreased approximately 8% when compared to the same period ended 2011

(c)

Interest Expense not attributable to amortization of discount decreased 56% when compared to the same period ended 2011

During the quarter ended June 30, 2011 the Company recognized \$510,570 in Losses related to sale of Equipment. The Company recognized no comparable expense during the quarter ended June 30, 2012.

During the quarter ended June 30, 2012 the Company recognized \$29,106 in expenses incurred resulting from Early Extinguishment of Debt. The Company recognized no comparable expense during the quarter ended June 30, 2011.

During the quarter ended June 30, 2012 the Company recognized \$52,738 in expenses incurred resulting from securities issued pursuant to contractual obligations. The Company recognized no comparable expense during the quarter ended June 30, 2011.

Revenues were -0- for the nine months ending June 30, 2012 and -0- for the same period ending 2011. Net Losses were \$522,288 for the three months ended June 30, 2012. Net Losses were \$686,737 for the same quarter ending 2011 .

Revenues were -0- for the nine months ending June 30, 2012 and -0- for the same period ending 2011. Net Losses were \$1,240,695 for the nine months ended March 31, 2012. The Company reported net income of \$41,038,869 for the none months ended June 30, 2011.

The difference is primarily attributable to the recognition by the Company of a noncash gain of \$42,182, 649 resulting from the deconsolidation of Entest BioMedical, Inc. during the quarter ended March 31, 2011 as well as Other Income of 146,791 recognized by the Company in the quarter ended march 31, 2011 resulting from resulting from the confirmation in writing from the Company's former landlord informing the Company that no further payment is required to be made by the Company for outstanding rental liabilities resulting in the elimination of \$146,791 of Payables owed by the Company.

For the nine months ended June 30, 2012 our Research and Development Expenses decreased 100% when compared to the same period ended 2011. For the nine months ended June 30, 2012 our General and Administrative Expenses decreased 43% when compared to the same period ended 2011. For the nine months ended June 30, 2102 our consulting expenses increased 129% when compared to the same period ended 2011.

During the nine months ended June 30, 2011 the Company recognized \$510,570 in Losses related to sale of Equipment. The Company recognized no comparable expense during the nine months ended June 30, 2012.

During the nine months ended June 30, 2012 the Company recognized \$29,106 in expenses incurred resulting from Early Extinguishment of Debt. The Company recognized no comparable expense during the nine months ended June 30, 2011.

During the nine months ended June 30, 2012 the Company recognized \$52,738 in expenses incurred resulting from securities issued pursuant to contractual obligations. The Company recognized no comparable expense during the nine months ended June 30, 2011.

Liquidity and Capital Resources

As of June 30, 2012, we had \$29,887 cash on hand and current liabilities of \$1,659,794 such liabilities consisting of Accounts Payable, Notes Payable, Accrued Payroll Taxes, Convertible Notes payable net of unamortized discount, Amounts due to Affiliated Parties, Accrued Expenses and Accrued Interest.

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

On April 26, 2012 the Company executed an Equity Purchase Agreement (the "Purchase Agreement") and Registration Rights Agreement (the "Rights Agreement") with Southridge Partners II, LP, a Delaware limited partnership ("Southridge").

Under the terms of the Purchase Agreement, Southridge will purchase, at the Company's election, up to \$20,000,000 of the Company's registered common stock (the "Shares"). During the term of the Purchase Agreement, the Company may at any time deliver a "put notice" to Southridge thereby requiring Southridge to purchase a certain dollar amount of the Shares. Simultaneous with the delivery of such Shares, Southridge shall deliver payment for the Shares. Subject to certain restrictions, the purchase price for the Shares shall be equal to 91% of the Market Price, as such capitalized term is defined in the Purchase Agreement, on such date on which the Purchase Price is calculated in accordance with the terms and conditions of this Agreement.

Market Price, as such term is defined in the Purchase Agreement, means the lowest Closing Price, as such term is defined in the Purchase Agreement, during the Valuation Period, as such term is defined in the Purchase Agreement.

Closing Price is defined in the Purchase Agreement as the closing bid price for the Company's common stock on the principal market over which the Company's common shares trade on a day on which that principal market is open for business as reported by Bloomberg Finance L.P.

Valuation Period, as such term is defined in the Purchase Agreement, means the period of 5 Trading Days immediately following the Clearing Date, as such term is defined in the Purchase Agreement, associated with the applicable Put Notice during which the Purchase Price of the Shares is valued.

Clearing Date, as such term is defined in the Purchase Agreement, means the date in which the Estimated Put Shares (as defined in Section 2.2(a) of the Purchase Agreement) have been deposited into Southridge's brokerage account and Southridge's broker has confirmed with Southridge that Southridge may execute trades of such Estimated Put Shares.

The definition of Estimated Put Shares in Section 2.2(a) of the Purchase Agreement is that number of Shares equal to the dollar amount indicated in the Put Notice divided by the Closing Price on the Trading Day immediately preceding the Put Date, multiplied by 125%. Pursuant to the Purchase Agreement, on a Put Date the Company will be required to the applicable number of Estimated Put Shares to Southridge's brokerage account. At the end of the Valuation Period the Purchase Price shall be established and the number of Shares shall be determined for a particular Put. If the number of Estimated Put Shares initially delivered to Southridge is greater than the Put Shares purchased by Southridge pursuant to such Put, then immediately after the Valuation Period Southridge shall deliver to Company any excess Estimated Put Shares associated with such Put. If the number of Estimated Put Shares delivered to Investor is less than the Shares purchased by Southridge pursuant to a Put, then immediately after the Valuation Period the Company shall deliver to Southridge the difference between the Estimated Put Shares and the Shares issuable pursuant to such Put.

The number of Shares sold to Southridge shall not exceed the number of such shares that, when aggregated with all other shares of common stock of the Company then beneficially owned by Southridge, would result in Southridge owning more than 9.99% of all of the Company's common stock then outstanding. Additionally, Southridge may not execute any short sales of the Company's common stock.

The Purchase Agreement shall terminate (i) on the date on which Southridge shall have purchased Shares pursuant to this Agreement for an aggregate Purchase Price of \$20,000,000, or (ii) on the date occurring 24 months from the date on which the Agreement was executed and delivered by the Company and Southridge.

Under the terms of the Rights Agreement, the Company agreed to file a registration statement with the Securities and Exchange Commission within 90 days of the date on which the Purchase Agreement was executed and delivered by the Company and Southridge.

The registration statement shall be filed with respect to not less than the maximum allowable number of Shares issuable pursuant to a put notice to Southridge that has been exercised or may be exercised in accordance with the terms and conditions of the Purchase Agreement permissible under Rule 415, promulgated under the Securities Act of 1933.

The Company is obligated to keep such registration statement effective until (i) three months after the last closing of a sale of Shares under the Purchase Agreement, (ii) the date when Southridge may sell all the Shares under Rule 144 without volume limitations, or (iii) the date Southridge no longer owns any of the Shares.

The Purchase Agreement requires the Company to reserve and keep available until the consummation of such Closing, free of preemptive rights sufficient shares of common stock for the purpose of enabling the Company to satisfy its obligation to issue the Shares.

The Purchase Agreement also requires the Company to issue to Southridge shares of a newly designated preferred stock with a stated value of \$50,000 convertible at the option of Southridge into shares of the Company's common stock at a conversion price equal to seventy percent (70%) of the lowest Closing Price for the five (5) trading days immediately preceding a conversion notice. The Preferred Stock shall have no registration rights. Such securities may not be issued until the Certificate of Incorporation of the Company is amended.

On July 25 the Company issued a convertible promissory note in the amount of \$ 63,000. The note bears an interest rate of eight percent (8%), matures on April 30, 2013 and may be converted after 180 days from execution of this note for shares of the Company's common stock. The note may be converted at a thirty nine percent (39%) discount to the average of the lowest 3 closing bid prices of the common stock during the 10 trading days prior to the conversion date.

We were not party to any material commitments for capital expenditures as of the end of the quarter ended June 30, 2012.

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, 2012 and ending June 30, 2012, 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 24, 2011 a Complaint (Complaint) was filed in the Superior Court of the State of California, County of San Diego Central Division against the Company, the Company's Chairman, and American Stock Transfer and Trust Company LLC by Rick Plote. The Complaint seeks damages from the defendants jointly and severally of no less than \$615, 000 and alleges breach of written agreement, breach of written guarantee and fraud in connection with the defendant's failure to transfer 4,000,000 common shares of the Company beneficially owned by the company's Chairman and CEO and pledged by the Company's Chairman to secure payment of a promissory note issued by an unaffiliated third party.

On October 24, 2011 a Complaint (Complaint) was filed in the Superior Court of the State of California, County of San Diego Central Division against the Company, the Company's Chairman, and American Stock Transfer and Trust Company LLC by Rick Plote. The Complaint seeks damages from the defendants jointly and severally of no less than \$615, 000 and alleges breach of written agreement, breach of written guarantee and fraud in connection with the defendant's failure to transfer 4,000,000 common shares of the Company beneficially owned by the company's Chairman and CEO and pledged by the Company's Chairman to secure payment of a promissory note issued by an unaffiliated third party.

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

During the Quarter ended June 30, 2012, the Company:

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Issued 5,000,000 Common Shares (Shares) to the order of a broker dealer in consideration for services rendered as Placement Agent.

The Offer and Sale of the Shares was exempt from the registration provisions of the Securities Act of 1933 (the Act), 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.

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

Issued 12,000,000 Common Shares (Shares) to an employee as a restricted stock award.

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.

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

Issued 114,448,960 Common Shares (Shares) in satisfaction of \$255,000 of Convertible Notes Payable

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.

Issued 90,000 shares of Series AA Preferred Stock (Shares) to the Company's CEO for services rendered

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.

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

Issued 13,310,078 Common Shares (Shares) pursuant to contractual obligations to debt holders resulting in the Company.

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.

On July 2, 2012 the Company issued 6,208,333 shares of its common stock(Shares) in satisfaction of \$14,900 of outstanding convertible debt.

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.

On July 2, 2012 the Company issued 4,892,473 common shares (Shares) in satisfaction of \$9,100 of outstanding convertible debt

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.

On July 2, 2012 the Company issued 333,333 common shares (Shares) in satisfaction of \$1,000 of outstanding convertible debt

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.

On July 5, 2012 the Company issued 12,000,000 common shares (Shares) to an employee for services.

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.

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

On July 9, 2012 the Company issued 204,301 common shares (Shares) to a debt holder pursuant to contractual provisions in the debt instrument.

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.

On July 13, 2012 the Company issued 3,250,494 common shares to an existing debt holder. pursuant to contractual provisions in the debt instrument.

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.

On July 16, 2012 the Company issued 2,696,274 common shares (Shares) in satisfaction of \$5015 of convertible debt

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.

On July 16,2012 the Company issued 8,884,409 common shares (Shares) in satisfaction of \$16,525 of outstanding convertible debt.

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.

On July 16, 2012 the company issued 503,378 common shares (Shares) to a debt holder pursuant to contractual provisions in the debt instrument.

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.

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

10.1 8% Convertible Note in the Amount of \$65,000

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.

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

August 14, 2012

