

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

BioChem Solutions, Inc.
Form 10QSB
November 17, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly report pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2006

Commission File Number: 000-25947

Biochem Solutions Inc.

(Name of Small Business issuer in its Charter)

Florida

65-0386286

(State or Other Jurisdiction of
Incorporation or Organization)

(IRS Employer
Identification No.)

Bay & Deveax Streets Nassau, Bahamas

PO Box CR-5464

(Address of Principal Executive Offices)

(PO Box)

(242) 328-1110

(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act:

NONE

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value

Check whether the issuer: (1) filed all reports required to be
filed by Section 13 or 15(d) of the Exchange Act during the past
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

Check if there is no disclosure of delinquent filers in response
to Item 405 of Regulation S-B is contained in this form, and no
disclosure will be contained, to the best of registrant's
knowledge, in definitive proxy or information statements
incorporated by reference or any amendment to this Form

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

10-QSB. []

The issuer is a developmental stage company, and as such has yet to generate any substantial revenues.

The aggregate market value of the voting stock held by non-affiliates of the registrant was not determinable due to lack of trading.

As of November 15, 2006 the issuer had approximately 10,029,000 shares of common stock outstanding.

Documents incorporated by reference: NONE

Transition Small Business Disclosure Format (check one):

YES

NO

Biochem Solutions, Inc.

Form 10-QSB Index

	Page
Part I: Financial Information	1
Item 1. Financial Statements	1
Condensed Consolidated Balance Sheet - June 30, 2006	1
Condensed Consolidated Statements of Operations - Three months ended June 30, 2006 and 2005	2
Condensed Consolidated Statements of Operations - Three months ended June 30, 2006 and 2005	3
Condensed Consolidated Statements of Cash Flows - Three months ended June 30, 2006 and 2005	4
Notes to Financial Statements	6
Item 2. Management's Discussion and Analysis or Plan of Operation	13
Part II: Other Information	
Item 1. Legal Proceedings	16
Item 2. Change in Securities	16
Item 3. Defaults Upon Senior Securities	16
Item 4. Submission of Matters to a Vote of Security Holders	16
Item 5. Subsequent Events	16
Item 6. Exhibits and Reports on Form 8-K	16

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

Biochem Solutions, Inc.
 And Subsidiary
 (A Development Stage Company)
 Condensed Consolidated Balance Sheet
 (Unaudited)
 June 30, 2006

Assets

Current assets:

Cash	\$	41
------	----	----

Total current assets		41

Property and equipment, net		1,926
-----------------------------	--	-------

	\$	1,967
		=====

Liabilities and Stockholders' Deficiency

Current liabilities:

Accounts payable	\$	197,104
------------------	----	---------

Accrued expenses		982,958
------------------	--	---------

Due to related parties		269,554
------------------------	--	---------

Notes Payable - related party		226,466
-------------------------------	--	---------

Notes payable		173,415
---------------	--	---------

Total current liabilities		1,849,498

Stockholders' deficiency:

Series 2001 convertible preferred stock		42,470
---	--	--------

Series 2001A convertible preferred stock		-
--	--	---

Series 2001B convertible preferred stock		-
--	--	---

Class B preferred stock		-
-------------------------	--	---

Common stock		5,073,783
--------------	--	-----------

Deferred Compensation		(283,333)
-----------------------	--	-----------

Accumulated deficit		(6,680,451)
---------------------	--	-------------

Total stockholders' deficiency		(1,847,531)

	\$	1,967
--	----	-------

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

=====

See accompanying notes to the condensed consolidated financial statements.

1

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
	-----	-----
Gross Revenues	\$ -	\$ -
Cost of Sales	-	-
	-----	-----
Net revenue	-	-
Operating Expenses	118,289	216,415
	-----	-----
Loss from Operations	(118,289)	(216,415)
Other Income (Expenses):		
Other income	-	-
Interest expense	(10,750)	(18,995)
	-----	-----
Total other income (expense)	(10,750)	(18,995)
Net loss	\$ (129,039)	\$ (235,410)
	=====	=====
Loss Per Common Share:		
Basic and diluted	\$ (4.43)	\$ (8.38)
	=====	=====
Weighted Average Common Shares Outstanding:		
Basic and diluted	29,112	28,096
	=====	=====

See accompanying notes to the condensed consolidated financial statements.

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

2

Biochem Solutions, Inc.
 And Subsidiary
 (A Development Stage Company)

Condensed Consolidated Statements of Operations
 (Unaudited)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	Cumulative for the period from March 23, 1999 (inception) to June 30, 2006
Gross revenues	\$ -	\$ -	\$ 45,744
Cost of sales	-	-	264
Net revenue	-	-	45,480
Operating Expenses	240,239	407,614	5,884,630
Other income (expenses):			
Other income	0	1,390	219,657
Interest expense	(21,250)	(19,449)	(520,931)
Impairment of Assets	0	0	(315,027)
Provision for loss on non-cancellable Lease	0	0	(225,000)
Total other income (expense)	(21,250)	(18,059)	(841,301)
Net Loss	\$ (261,489)	\$ (425,673)	\$ (6,680,451)
Loss per common share:			
Basic and Diluted	\$ (8.98)	\$ (601.30)	
Weighted average common shares outstanding:			
Basic and Diluted	29,111	471	

See accompanying notes to the condensed consolidated financial statements.

3

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2006	Three Months Ended June 30, 2005	Cumulative for the period from March 23, 1999 (inception) to June 30, 2006
Cash flows from operating activities			
Net Loss	\$ (261,489)	\$ (425,673)	\$ (6,680,451)
Adjustments to reconcile net loss to net cash used in operating activities			
Forgiveness of related party note payable	-	-	(59,088)
Depreciation and amortization	713	583	296,543
Loss on impairment of assets	-	-	315,027
Provision for loss on non-cancelable leases	-	-	225,000
Bad Debt Expense	-	-	42,000
Intrinsic Value of Stock Options	-	-	500,000
Common stock issued for services	-	-	2,455,405
Amortization of Deferred Compensation	100,000	100,000	316,667
Increase(decrease) in cash caused by changes in:			
Other current assets	-	171	-
Accounts payable	10,526	(713)	197,104
Accrued expenses	141,250	236,995	985,513
Due from related parties	-	84,378	528,642
Net cash used in operating activities	(8,999)	(4,259)	(877,637)
Cash flows from investing activities:			
Acquisition of property and equipment	-	(1,700)	(279,199)
Cash flows from financing activities			
Repayment of note payable to related party	-	-	(200,000)
Proceeds from issuance of preferred stock	-	-	49,000
Proceeds from issuance of capital stock	-	-	1,056,348
Due to related parties	-	-	(399,353)
Issuance of Note Receivable	-	-	(42,000)
Payment for Preferred Stock	-	-	(32,000)
Repayment/proceeds of notes payable	9,000	-	724,881
Net cash from provided by financing activities	9,000	-	1,156,876
Net increase(decrease) in cash	\$ 1	\$ (5,959)	\$ 41
Cash at beginning of period	40	6,329	0

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Cash at end of period	\$	41	\$	370	\$	41
-----------------------	----	----	----	-----	----	----

See accompanying notes to the condensed consolidated financial statements.

4

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2006	Three Months Ended June 30, 2005	Cumulative for the period from March 23, 1999 (inception) to June 30, 2006
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ -	\$ -	\$ 33,495
Non-cash activity:			
Purchase of intangible assets from related party	\$ -	\$ -	\$ 399,353
Reduction of capital lease obligation upon abandonment of assets	\$ -	\$ -	\$ 65,006
Satisfaction of Notes Payable and accrued interest by Third Party	\$ -	\$ -	\$ 487,500

See accompanying notes to the condensed consolidated financial

statements.

5

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) Statement of Information Furnished

The accompanying unaudited condensed consolidated financial statements as of June 30, 2006 and for the cumulative period from March 23, 1999 (Inception) to June 30, 2006 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant with the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. Accordingly, the condensed consolidated financial statements do not include all the information and notes to the financial statements required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation of Biochem Solutions, Inc. and Subsidiary's financial position, results of operations, and cash flows for the periods presented. These results have been determined on the basis of accounting principles generally accepted in the United States of America and applied consistently with those used in the preparation of the Company's financial statements.

The results of operations for the interim periods ended June 30, 2006 and 2005 are not necessarily indicative of the results to be expected for the full year. These interim financial statements should be read in conjunction with the December 31, 2005 financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.

Going Concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Due to its past financial difficulties, the Company has accumulated debt, including judgments and accrued interest, of approximately \$ 1,850,000 relating to its current and former lines of business and maintains these on its balance sheet as current liabilities. Interest on these balances is accruing at a rate of approximately \$11,000 per quarter as of June 30, 2006. The

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Company is continuing in its efforts to resolve these obligations and others through settlements. However, there is no assurance that the Company will be able to settle in terms agreeable to the Company and if it does not do so, this will raise substantial doubt as to its ability to continue as a going concern. As shown in the condensed consolidated financial statements, the Company has incurred cumulative losses of approximately \$ 6,700,000 during its development stage.

The Company's continuation as a going concern is uncertain and dependent upon obtaining additional source of financing and achieving future profitable operation, the outcome of which cannot be predicted at this time.

The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

(2) Summary of Significant Accounting Policies

The accounting policies of the Company are in accordance with U.S. GAAP and their basis of application is consistent with that of the previous year.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost of the employee services is recognized as compensation cost over the period that an employee provides service in exchange for the award. SFAS No. 123R will be effective January 1, 2006 for the Company and may be adopted using a modified prospective method or a modified retrospective method. The Company has not yet completed an analysis to quantify the exact impact the new standard will have on its future financial performance. Depending upon the extent to which the Company implements share-based compensation plans. Adoption of this statement could have a material impact on the Company's future consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-Monetary Assets - an amendment of the Accounting Principles Board (APB) Opinion No. 29" (Statement 153). This statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this standard is not expected to have a material impact on the Company's

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

results of operations or financial position.

In March 2005, the FASB issued FASB Staff Position ("FSP") No. 46(R)-5, "Implicit Variable Interests under FASB Interpretation No. ("FIN") 46 (revised December 2003), Consolidation of Variable Interest Entities" ("FSP FIN 46R-5"). FSP FIN 46R-5 provides guidance for a reporting enterprise on whether it holds an implicit variable interest in Variable Interest Entities ("VIEs") or potential VIEs when specific conditions exist. This FSP is effective in the first period beginning after March 3, 2005 in accordance with the transition provisions of FIN 46 (Revised 2003), "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51" ("FIN 46R"). The adoption of this standard is not expected to have a material impact on the Company's results of operations and financial position.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about

6

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(2) Summary of Significant Accounting Policies (cont'd)

the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Retrospective application of interim financial information is permitted but is not required. Early adoption of this interpretation is encouraged. The adoption of this standard is not expected to have a material impact on the Company's

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

results of operations and financial position.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28". SFAS No. 154 provides guidance on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS No. 154 also requires certain disclosures for restatements due to correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and is required to be adopted by the Company as of January 1, 2006. The impact that the adoption of SFAS No. 154 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes adopted by the Company and the nature of transitional guidance provided in future accounting pronouncements. In January 2003, the Financial Accounting Standards Board ("SFAS") issued SFAS Interpretation No. 46 "Consolidation of Variable Interest Entities", an interpretation of ARAB No. 51 ("FIN 46"). The SFAS issued a revised FIN 46 in December 2003 which modifies and clarifies various aspects of the original interpretations. A Variable Interest Entity ("VIE") is created when (I) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity, (B) are not obligated to absorb expected losses of the entity or (C) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE, pursuant to FIN 46, an enterprise that absorbs a majority of the expected losses of the VIE is considered the primary beneficiary and must consolidate the VIE. For VIEs created before January 31, 2003, FIN 46 was deferred to the end of the first or annual period ending after March 15, 2004. The adoption of FIN 46 is not expected to have a material impact on the financial position or results of operations of the Company.

- (3) Acquisition of Grupo Industrial N.K.S., S.A., de CV & Restructuring of the Company

As of March 15, 2005, the Company has completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of NKS. The Company and stockholders of NKS have mutually agreed that the Company will acquire 75% of all the shares of NKS in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico. The Company has chosen not to show any asset value for NKS on its Balance Sheet. In addition, the Company issued 30 million shares of common

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

stock to an unrelated party as a finder's fee. No value has been attributed to the finder fee.

NKS is currently insolvent and their financial records are not available at this time. As a result, the Company is unable to consolidate the results of operations of NKS into the accompanying condensed consolidated financial statements. The investment in NKS has been valued at \$0 at June 30, 2005. The Company is currently working with its financial advisors in Mexico to obtain a formal valuation, which will be disclosed in future filings.

The Company does not consolidate the financial position or the statement of operations of its NKS subsidiary.

On June 16, 2006, the Company announced that by Consent to Act in Lieu of a meeting of the shareholders, the majority of the shareholders of record voted and approved to unwind the share exchange with Grupo Industrial NKS SA de CV. The 250,000,000 shares issued to NKS shareholders will be voluntarily returned in exchange for the 75% of the NKS shares held by NorMexSteel and the 250,000,000 NorMexSteel shares will be cancelled and returned to treasury. In conjunction with this the shareholders approved to remove and replace the existing board of directors; to file amendments to the articles of Incorporation of the company that would effect a name change to BioChem Solutions Inc. and a reverse stock split of the Company's common stock of 1 for 10,000. Under the guideline of the regulatory and company act requirements the majority of shareholders agreed to the need and ratio of the reverse stock split and the majority agreed that the restructuring is in the best interest of the company. The net effect of the reverse stock split will reduce the Company's outstanding shares of common stock post split to 29,066 shares (no fractional shares will be issued). The stock split is effective as of June 30, 2006. Shareholders of record will be notified by the Company's transfer agent and may exchange their old shares of common stock for new shares of common stock post reverse.

On June 16, 2006, the Company entered into a contract to acquire an Exclusive Rights and a Master License providing all the rights in a patented biochemical, Trioxolane, and other patents held by the CKD Foundation, the CKD Foundation will appoint five new directors to the board of directors.

BioChem Solutions Inc. under the Master License from the patent holder, the CKD Foundation, will provide funding on a best efforts basis for the further development of the patents and applications and related products. BioChem Solutions Inc. expects to schedule the third stage Clinical trials for treatment HIV / AIDS.

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Notes to Condensed Consolidated Financial Statements (Unaudited)

(4) Capital Stock

(a) Common Stock

Authorized	
1,000,000,000 shares	June 30, 2006

Issued and outstanding	
29,127 shares of common stock	\$ 5,073,783

During 2004 , the Company entered into an agreement with the CFO whereby 200,000 common shares were granted for consulting services at the inception of the agreement. The CFO is entitled to a further 100,000 common shares at the end of the second year of the term of this agreement and a further 100,000 common shares at the end of the third year of the term of this agreement. For the three months ended June 30, 2006, \$50,000 of which has been charged as compensation expense included in Operating Expenses in the accompanying condensed consolidated statements of operations.

On September 29, 2005 the Company's Board approved a 1:500 forward split after completing a 500:1 reverse stock split on September 9, 2005 as approved by the majority of the shareholders.

On June 29, 2006, the Company's Board approved a 1 for 10,000 reverse split, reducing the number of shares from approximately 290,974,000 to 29,127.

(b) Preferred Stock

Authorized	
150,000,000	
	June 30, 2005

Issued and outstanding	
Series 2001 - 22,100 shares of preferred stock	\$ 42,470
Series 2001A - 27,488,000 shares of preferred stock	-
Series 2001B - 30,000,000 shares of preferred stock	-

Total 57,510,100 shares of preferred stock	\$ 42,470

(5) Related Party Transactions

The president, current and former principal stockholders, and certain employees from time to time made advances or loans to the Company. The advances and loans have been made for financing and working capital purposes. At June 30, 2006, the total of such advances and loans, including accrued interest, was \$269,554.

The Company entered into an unsecured funding agreement with Tropical Ventures/Cazador Enterprises, a shareholder of the

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Company, whereby Tropical will lend the Company funds under the following terms; interest on outstanding amounts of 10% per annum payable to Cazador Enterprises, a 10% funding fee paid to Tropical Ventures on any drawdown, and no fixed repayment terms. As of June 30, 2006, the Company had borrowed \$155,000 less fees of \$20,000 provided through this agreement.

(6) Accrued Liabilities

Accrued expenses at June 30, 2006 consisted of the following:

	2006

Accrued lease obligations	\$ 395,996
Accrued interest	176,053
Accrued Professional Fees	421,659

	\$ 982,958
	=====

(7) Notes Payable

The notes payable bear interest at rates that range between 9 and 12 percent per annum and are due on demand.

9

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(8) Notes Payable - Related Party

The related party notes payable bears an interest rate of 10 percent per annum and has no fixed terms of repayment.

(9) Stock Options

During 2004, the Company established a stock option plan under which options to purchase shares of common stock may be granted to employees, directors, officers, agents, consultants and independent contractors.

During November 2004, the Company granted 1,000,000 stock options to the Company's Chief Financial Officer. The options have an exercise price of \$1.00, vest immediately, and have a term of three years. At the grant date, these options had an intrinsic value of \$500,000. These options remain outstanding at June 30, 2006, are fully exercisable, and have a remaining term of 17 months.

(10) Income Taxes

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under SFAS No. 109 income taxes are recognized for the following: a) amount of tax payable for the current year, and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

For three month period ended June 30, 2006, the Company had approximately \$6,700,000 net operating loss carry forwards for income tax reporting purposes, which can be utilized to decrease the current year's income taxes. No tax benefit was reported in the current period because the Company believed that there was a 50% or greater chance the carryforwards would expire unused. Accordingly, the potential benefit of the loss carryforwards were offset by a valuation allowance.

11) Commitments and Contingencies

Several creditors have taken legal action against the Company due to defaulted debt and lease obligations. The judgments total approximately \$378,000. These amounts are included in accrued liabilities as at June 30, 2006.

10

Biochem Solutions, Inc.
And Subsidiary
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements

(12) Subsequent Transactions

There are no subsequent transactions to report.

11

Item 2. Management Discussion and Analysis and Plan of Operation

All statements contained herein that are not historical facts, including but not limited to, statements regarding the anticipated future capital requirements and future development plans are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: amount of revenues earned by the Company's operations; the availability of sufficient capital to finance the Company's business plan on terms satisfactory to the Company; general business and economic conditions; and other risk factors described in the Company's reports filed from time to time with the Commission. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Results of Operations

Three Months Ended June 30, 2006 versus Three Months Ended June 30, 2005.

We had no revenues for the three months ended June 30, 2006 and 2005. There is no assurance that we will any have revenues in 2006. As we had no sales in this quarter, we had no cost of sales for the quarters.

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

Operating expenses for the three months ended June 30, 2006 were \$118,289 compared to \$ 216,415 for the three months ended June 30, 2005. Other income for the three months ended June 30, 2006 was \$0 as compared to other income of \$0 for three months ended June 30, 2005. Interest expense was \$ 10,750 for three months ended June 30, 2006 versus \$18,995 for the three months ended June 30, 2005.

The Company's net loss for the three months ended June 30, 2006 was \$ 129,039 as compared to a loss of \$ 235,410 for the three months ended June 30, 2005.

Six Months Ended June 30, 2006 versus Six Months Ended June 30, 2005.

We had no revenues for the six months ended June 30, 2006 and 2005. There is no assurance that we will any have revenues in 2006. As we had no sales in this period, we had no cost of sales for this period.

Operating expenses for the six months ended June 30, 2006 were \$240,239 compared to \$ 407,614 for the six months ended June 30, 2005. Other income for the six months ended June 30, 2006 was \$0 as compared to other income of \$1,390 for the six months ended June 30, 2005. Interest expense was \$ 21,250 for six months ended June 30, 2006 versus \$19,449 for the six months ended June 30, 2005.

The Company's net loss for the six months ended June 30, 2006 was \$ 261,489 as compared to a loss of \$ 425,673 for the six months ended June 30, 2004.

12

Liquidity and Capital Resources

On June 30, 2006, the Company had a working capital deficit of approximately \$ 1,850,000. Since its inception, the Company has continued to sustain losses. The Company's operations since inception have been funded by the sale of common and preferred stock, and proceeds from both secured and unsecured loans. These funds have been used for working capital and capital expenditures and other corporate purchases. The Company has had losses of approximately \$ 6,680,000 since inception. The Company is seeking financing through equity financing. There can be no assurance that the Company will be able to obtain funding at terms acceptable to the Company. These factors indicate that the Company may not be able to continue as a going concern.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), a revision of SFAS No. 123 ("FAS 123"). For small business issuers, this Statement must be implemented at the beginning of the fiscal year that begins after

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

December 15, 2005. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FAS 123 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The original pronouncement, issued in October 1995, defined a fair value based method of accounting for share-based payments, but permitted companies to disclose such payments either employing the fair value based method of accounting or by using the intrinsic value method as defined by APB No. 25, Accounting for Stock Issued to Employees. For companies reporting under the intrinsic value method, FAS 123 required a pro forma footnote disclosure of the impact of the fair value based method for financial reporting purposes. The 2004 revision to FAS 123, FAS 123(R), eliminates the intrinsic value method as provided by APB No. 25. Depending upon the extent to which the Company implements share-based compensation plans, adoption of this statement could have a material impact on the Company's future consolidated financial statements.

Off-Balance Sheet Arrangements

The Company does not maintain off-balance sheet arrangements nor does it participate in non-exchange traded contracts requiring fair value accounting treatment.

13

Item 3. Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company's management carried out an evaluation with the participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of the end of the period covered by this Form 10-QSB that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in periodic reports filed under the Securities Exchange Act of 1934, as amended. There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation by the Chief Executive Officer and Chief Financial Officer that occurred during the Company's fourth quarter that have materially affected or are reasonably likely to materially affect the Company's

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Due to our financial difficulties, we defaulted on a number of debt and lease obligations. We have several judgments totaling approximately \$378,000 that were entered against us. We are currently trying to resolve these obligations through settlements. However, there is no assurance that we will be able to settle on terms favorable to us and if we are unable to do so, this will have a material adverse affect on our ability to operate properly in the future.

On May 3, 2004, we received a letter from Pedro Fenando Arizpe Carreon, a shareholder of Grupo Industrial NKS, S.A. DE C.V. ("NKS"), addressed to Montague Securities International, Ltd., the escrow agent for the transaction by which we acquired 75% of the outstanding shares of capital stock of NKS. Mr. Carreon alleged that we had breached the Purchase Agreement. We have denied any breach of the purchase agreement and have advised Mr. Carreon in writing of this fact. On August 8, 2005, Biochem Solutions filed a civil complaint, in Broward County, Florida, against Mr. Carreon and Grupo Industrial NKS alleging breach of contract and tortuous interference with a business relationship and requested the court to order temporary and permanent injunctive relief, declaratory judgment and monetary damages for the alleged interferences.

In the United States District Court in the Southern District of California in San Diego, California, denied the Company's motion for a preliminary injunction in NorMexSteel, Inc., et al. v. Charles B. Flynn, et al., Case Number 06-CV-0814, filed on April 2, 2006. In the order dated June 6, 2006, the District Court reversed its tentative ruling. The District Court's Findings of Fact and Conclusions of law Denying Plaintiffs' Motion for Preliminary Injunction (the "Order") stated that: "Although in its tentative ruling the Court stated that it would order that Defendants Baiaverde and Taurus place the allegedly stolen shares in the registry of the Court pending resolution of the matter, it has reconsidered. Upon further review, the Court finds that NorMex does not own the stock at issue here." In the Order, the District Court denied the Plaintiffs' requested relief.

14

Item 2. Change in Securities

On September 10, 2004, the holders of a majority of the Company' outstanding voting shares executed a written consent amending the Company's Articles of incorporation to increase the total number of authorized shares of the Company's Common Stock from 500,000,000 to 1,000,000,000.

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

As of March 15, 2005, the Company completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of Grupo Industrial N.K.S., S.A., de CV ("NKS") in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico.

On September 29, 2005 the Company's Board approved a 1:500 forward split after completing a 500:1 reverse stock split on September 9, 2005 as approved by the majority of the shareholders.

On June 29, 2006, the Company's Board approved a 1 for 10,000 reverse split, reducing the number of shares from approximately 290,974,000 to 29,127.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Subsequent Events

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits and Index of Exhibits

- 31. Rule 13a-14(a)/15d-14(a) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32. Section 1350 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

On September 16, 2004, the Company filed a current report on Form 8-K in connection with the following:

(i) as of September 10, 2004, the Company has finalized the Letter of Intent to originally acquire 100% of all classes of shares issued and outstanding of Grupo Industrial N.K.S., S.A., de CV, a Mexican corporation;

(ii) on September 10, 2004, the holders of a majority of the Company' outstanding voting shares executed a written consent, amending the Company's Articles of incorporation to increase the total number of authorized shares of the Company's Common Stock from 500,000,000 to 1,000,000,000, and

(iii) on March 15, 2005, the Company

Edgar Filing: BioChem Solutions, Inc. - Form 10QSB

completed the purchase of 75% of all outstanding shares on NKS.

15

SIGNATURES

Biochem Solutions Inc.

By: /s/ James Herman

James Herman, President

Date: November 16, 2006

