

Bio-Carbon Systems International Inc.
Form 10-Q
November 17, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended **September 30, 2010**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission file number **000-53809**

BIO-CARBON SYSTEMS INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Nevada

27-0531073

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

123 March Street, Suite 202, Sault Ste Marie, Ontario, Canada P6A 3V7

(Address of principal executive offices, including zip code.)

(705) 253-5096

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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

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" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller
reporting Company)

Smaller reporting Company

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Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes
[] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **As of November 2, 2010, the issuer had 265,190,416 shares of common stock outstanding.**

FORWARD-LOOKING STATEMENTS

This Form 10-Q for the quarterly period ended June 30, 2010 contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this document include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expect”, “plan”, “intend”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue”, the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties set forth in reports and other documents we have filed with or furnished to the SEC. These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this document. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this document are made as of the date of this document and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

GENERAL MATTERS

Our common stock is subject to the "penny stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The Securities and Exchange Commission has adopted certain rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are applicable to "penny stocks". For the purposes relevant to us, a “penny stock” is any equity security that has a market price of less than \$5.00 per share or has an exercise or conversion price of less than \$5.00 per share, subject to certain exceptions, constitutes a "penny stock". For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks;
- the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased; and
- that a broker or dealer provide certain detailed market information about the market for the applicable company's securities.

In order to approve a person's account for transactions involving penny stocks, the broker or dealer must:

- obtain financial information, investment experience and investment objectives of the person; and

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- make a reasonable determination that the proposed transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Following a transaction, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and depress the market value of our stock.

There are additional risks of investing in penny stocks whether in public offerings or in secondary trading, relating to commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions.

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QUARTER ENDED SEPTEMBER 30, 2010

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Item 1: Financial Statements**Bio-Carbon Systems International Inc.****Unaudited Balance Sheets****As at September 30, 2010 and December 31, 2009**

	September 30, 2010	December 31, 2009
	(Unaudited) (in C\$)	(Audited) (restated in C\$)
Current Assets:		
Cash and cash equivalents	\$ 985	\$ -
Amounts receivable	56,353	-
Notes receivable (note 6a)	15,000	-
Prepaid technology royalties (note 7)	6,484	-
Other prepaid fees	789	-
Total Current assets	79,611	-
Technology license rights (note 7)	224,482	-
Total Assets	\$ 304,093	\$ 0
Current Liabilities		
Accounts payable and accruals	\$ 100,267	\$ 3,096
Loan Payable	25,500	0
Due to shareholders	10,290	10,510
Total Current Liabilities	136,057	13,606
Shareholders' Equity (Deficit)		
Common shares(note 6a)	141,969	3,679
Cumulative translation adjustment	242	(39)
Preferred shares (note 6b)	240,000	-
Accumulated deficit	(214,175)	(17,645)
Total Shareholders' Equity (Deficit)	168,036	(13,966)
Total Liabilities & Shareholders Equity (Deficit)	304,093	0

\$ \$

See accompanying notes to the unaudited financial statements.

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Bio-Carbon Systems International Inc.
Unaudited Statements of Operations
For the Periods Ended September 30, 2010

(Unaudited)

	For the	For the
	3 Months	9 Months
	Ended	Ended
	September 30,	September 30,
	<u>2010</u>	2010
	(in C\$)	(in C\$)
Revenue	\$ 95,319	\$ 95,319
Cost of Goods Sold		
Services	73,818	73,818
Royalties	4,766	4,766
Total Cost of Goods Sold	78,584	78,584
Gross Margin	\$ 16,735	\$ 16,735
Operating expenses		
General and administrative	91,547	121,636
Professional fees	10,641	74,889
Interst Expense	500	500
Foreign currency translation adjustment	847	723
Total operating expenses	83,345	94,213
Amortization of Technology license rights (note 7)	12,099	15,518
Net loss	\$ 98,898	196,530
Weighted average number		
	265,107,359	134,4049,312

of shares outstanding –
basic and diluted
Net loss per share -
basic and diluted \$ - -

See accompanying notes to the unaudited financial statements.

Bio-Carbon Systems International Inc.
Unaudited Statements of Cash Flows
For the Periods Ended September 30, 2010

(Unaudited)

	For the 3 Months Ended September 30, 2010 (in C\$)	For the 9 Months Ended September 30, 2010 (in C\$)
Cash Flows Used in Operating Activities		
Net loss	\$ (98,898)	\$ (196,530)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of license rights	12,099	15,518
Changes in operating assets and liabilities:		
Amounts receivable	(55,930)	(56,353)
Prepaid expenses and deposits	5,554	(7,273)
Payables and accruals	30,041	97,170
Due to shareholder	(316)	(220)
Net cash used in operating activities	(107,450) -	(147,687)
Cash Flows Used in Investing Activities		
Increase in technology rights asset	-	(240,000)
Net cash used in investing activities	-	(240,000)
Cash Flows From Financing Activities		
Increase in loans payable	25,500	25,500
Issuance of common and preferred shares	69,042	377,892
Increase in Notes receivable	-	(15,000)
Net cash provided by financing activities	94,542 -	388,392
	(12,908)	704

Net increase (decrease) in cash from operations

Effects of foreign exchange on cash		906		281
Cash, beginning of period		12,987		-
Cash, end of period	\$	985	\$	985

See accompanying notes to the unaudited financial statements.

Bio-Carbon Systems International Inc.

Notes to the Financial Statements
September 30, 2010
(Unaudited)

1. Basis of Presentation