

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 0-27545

QUICK-MED TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

65-0797243
(I.R.S. Employer Identification No.)

902 N.W. 4th Street
GAINESVILLE, FLORIDA 32601
(Address of Principal Executive Offices) (Zip Code)

(888) 835-2211
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, If Changes Since Last Report)

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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" or "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of March 10, 2012, there were 37,346,154 shares of common stock, par value \$0.0001 per share, outstanding.

QUICK-MED TECHNOLOGIES, INC.

INDEX TO FORM 10-Q

PART I	FINANCIAL INFORMATION	
Item 1.	<u>Financial Statements</u>	
	<u>Condensed Balance Sheets as of March 31, 2012 and June 30, 2011 (unaudited)</u>	1
	<u>Condensed Statements of Operations for the three and nine months ended March 31, 2012 and 2011 (unaudited)</u>	2
	<u>Condensed Statement of Changes in Stockholders' Deficit for the three months ended March 31, 2012 (unaudited)</u>	3
	<u>Condensed Statements of Cash Flows for the nine months ended March 31, 2012 and 2011 (unaudited)</u>	4
	<u>Notes to Condensed Financial Statements (unaudited)</u>	5 -14
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15-20
Item 3.	<u>Quantitative and Qualitative Disclosure About Market Risk</u>	21
Item 4.	<u>Controls and Procedures</u>	21
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	21
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	21
Item 3.	<u>Defaults Upon Senior Securities</u>	21
Item 4.	<u>Removed and Reserved</u>	21
Item 5.	<u>Other Information</u>	21
Item 6.	<u>Exhibits</u>	22
	<u>SIGNATURES</u>	23

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****QUICK-MED TECHNOLOGIES, INC.
CONDENSED BALANCE SHEETS
(UNAUDITED)**

ASSETS	March 31, 2012	June 30, 2011
Current assets:		
Cash and cash equivalents	\$ 21,548	\$ 949,367
Accounts receivable	161,231	305,320
Total current assets	<u>182,779</u>	<u>1,254,687</u>
Property and equipment, net	<u>1,227</u>	<u>1,077</u>
Other assets:		
Prepaid expenses	14,191	8,030
Intangible asset, net	423,588	376,746
Total other assets	<u>437,779</u>	<u>384,776</u>
Total assets	<u>\$ 621,785</u>	<u>\$ 1,640,540</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 535,580	\$ 615,393
Unearned revenue	147,896	124,640
Accrued expenses	91,094	90,897
Note payable - related party	251,776	238,817
Current maturity of note payable - officer	27,000	18,000
Total current liabilities	<u>1,053,346</u>	<u>1,087,747</u>
License payable	160,000	160,000
Long-term liability - note payable - officer	79,089	93,941
Long-term liability - convertible note payable	250,000	254,986
Long-term liability - convertible note payable - related party	1,221,832	1,158,373
Long-term liability - convertible note payable - related party	<u>5,578,084</u>	<u>5,337,565</u>
Total liabilities	<u>8,342,351</u>	<u>8,092,612</u>
Commitments and contingencies		
Stockholders' deficit:		
Common stock, \$0.0001 par value; 100,000,000 authorized shares; 37,346,154 and 37,246,154 shares issued and outstanding at March 31, 2012 and June 30, 2011	3,735	3,725
Additional paid-in capital	15,448,353	15,420,363
Outstanding stock options	4,131,709	4,085,808
Accumulated deficit	<u>(27,304,363)</u>	<u>(25,961,968)</u>
Total stockholders' deficit	<u>(7,720,566)</u>	<u>(6,452,072)</u>
Total liabilities and stockholders' deficit	<u>\$ 621,785</u>	<u>\$ 1,640,540</u>

See Notes to Unaudited Condensed Financial Statements

QUICK-MED TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Revenues				
Royalty and license fees	\$ 117,867	\$ 77,766	\$ 319,604	\$ 232,067
Product sales	77,433	69,085	284,655	363,568
Research and development service	3,000	10,000	113,000	193,750
Total revenues	<u>198,300</u>	<u>156,851</u>	<u>717,259</u>	<u>789,385</u>
Expenses:				
Cost of sales	6,358	5,010	17,724	22,400
Research and development	210,235	247,639	683,889	725,008
General and administrative expenses	210,712	328,019	742,443	1,068,452
Licensing and patent expenses	62,323	60,729	230,233	209,142
Depreciation and amortization	15,757	16,936	48,583	51,403
Total operating expenses	<u>505,385</u>	<u>658,333</u>	<u>1,722,872</u>	<u>2,076,405</u>
Operating loss	<u>(307,085)</u>	<u>(501,482)</u>	<u>(1,005,613)</u>	<u>(1,287,020)</u>
Other income (expense):				
Other income, net	-	-	-	195,583
Interest income	58	449	1,371	1,435
Interest expense	(111,819)	(110,865)	(338,153)	(337,117)
Total other income (expense)	<u>(111,761)</u>	<u>(110,416)</u>	<u>(336,782)</u>	<u>(140,099)</u>
Loss before provision (benefit) for income taxes	<u>(418,846)</u>	<u>(611,898)</u>	<u>(1,342,395)</u>	<u>(1,427,119)</u>
Provision (benefit) for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (418,846)</u>	<u>\$ (611,898)</u>	<u>\$ (1,342,395)</u>	<u>\$ (1,427,119)</u>
Net loss per share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Weighted average common				
shares outstanding - basic and diluted	<u>37,346,154</u>	<u>33,088,353</u>	<u>37,346,154</u>	<u>31,930,910</u>

See Notes to Unaudited Condensed Financial Statements

QUICK-MED TECHNOLOGIES, INC.
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(UNAUDITED)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Outstanding</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Stock</u> <u>Options</u>	
Balance, December 31, 2011	37,346,154	\$ 3,735	\$ 15,448,353	\$ (26,885,517)	\$ 4,128,709	\$ (7,304,720)
Stock-based compensation	-	-	-	-	3,000	3,000
Net loss	-	-	-	(418,846)	-	(418,846)
Balance, March 31, 2012	<u>37,346,154</u>	<u>\$ 3,735</u>	<u>\$ 15,448,353</u>	<u>\$ (27,304,363)</u>	<u>\$ 4,131,709</u>	<u>\$ (7,720,566)</u>

See Notes to Unaudited Condensed Financial Statements

QUICK-MED TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)

	2012	2011
Cash flows from operating activities:		
Net loss	\$ (1,342,395)	\$ (1,427,119)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,583	51,403
Stock granted for services	-	18,750
Stock-based compensation	45,901	238,610
Contribution of services	-	50,000
(Increase) decrease in:		
Accounts receivable, net	144,089	75,722
Prepaid expenses	(6,161)	790
Increase (decrease) in:		
Accounts payable	(79,812)	(47,697)
Accrued interest	318,098	303,907
Other current liabilities	23,452	13,012
Net cash used in operating activities	<u>(848,245)</u>	<u>(722,622)</u>
Cash flows from investing activities:		
Property and equipment	(2,315)	-
Intangible assets	(93,259)	(58,478)
Net cash used in investing activities	<u>(95,574)</u>	<u>(58,478)</u>
Cash flows from financing activities:		
Proceeds from stock issuance	28,000	799,680
Proceeds from exercise of stock options	-	10,000
Increase in notes payable - officer	-	13,155
Decrease in notes payable - officer	(12,000)	(4,000)
Net cash provided by financing activities	<u>16,000</u>	<u>818,835</u>
Net increase (decrease) in cash and cash equivalents	(927,819)	37,735
Cash and cash equivalents at beginning of period	949,367	628,026
Cash and cash equivalents at end of period	<u>\$ 21,548</u>	<u>\$ 665,761</u>

Supplementary Information:

Cash paid for:		
Interest	<u>\$ 10,027</u>	<u>\$ 10,027</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash disclosures of investing and financing activities:		
Debt forgiveness by shareholders	<u>\$ -</u>	<u>\$ 50,000</u>
Stock-based compensation	<u>\$ 45,901</u>	<u>\$ 238,610</u>

See Notes to Unaudited Condensed Financial Statements

QUICK-MED TECHNOLOGIES, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of Quick-Med Technologies, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the management of the Company, the accompanying unaudited financial statements contain all the adjustments (which are of a normal recurring nature) necessary for a fair presentation. Operating results for the three and nine months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. For further information, refer to the financial statements and the footnotes thereto contained in the Company's Annual Report on Form 10-K for the year ended June 30, 2011, as filed with the Securities and Exchange Commission.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has continuing losses from operations, negative working capital and an accumulated deficit that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

All highly liquid investments purchased with maturity of three months or less from the time of purchase are considered to be cash equivalents.

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.

Intangible Assets

The costs of obtaining license agreements along with the costs to defend the patents underlying the license agreements are capitalized and amortized using the straight-line method over the estimated useful lives of the underlying license agreements. The costs of obtaining and maintaining new patents are capitalized and amortized using the straight-line method over the estimated useful lives of the patents. The cost of patents in process is not amortized until the patent is issued.

Property and Equipment

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the expected useful lives of the assets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable as of March 31, 2012 represents amounts due from its customers and is reported on the balance sheet reduced by an allowance for doubtful accounts for estimated losses resulting from receivables not considered to be collectible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Research and Development Costs

Research and development costs are expensed as incurred.

Earnings Per Share

Basic net loss per common share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options and warrants. For the periods ended March 31, 2012 and 2011, 15,656,867 and 14,982,678 diluted common stock equivalents, respectively, have been excluded from the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

Fair Value Measurements

The Company adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This new accounting standard does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various other accounting pronouncements.

This accounting standard establishes a hierarchy for information and valuations used in measuring fair value, which is broken down into three levels. Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities. Level 2 valuations are based on inputs, other than quoted prices included within Level 1, that are observable, either directly or indirectly. Level 3 valuations are based on information that is unobservable and significant to the overall fair value measurement.

The Company also adopted FASB ASC 825, *Financial Instruments*, which allows companies to choose to measure eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. The Company has not elected the fair value option for any eligible financial instruments.

Revenue Recognition

The Company's revenues consist of the following sources: product sales, royalty and license fees, research and development service.

Under the agreement for product development, manufacturing and distribution (the "Agreement") with BASF, the Company shares proportionately on the net sales and related expenses in accordance with the terms of the Agreement. The Company recognizes revenue of its royalties from the sale of products by BASF when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable.

The Company recognizes royalty fee income based on the net sales of Bioguard® product by our licensee, Derma Sciences Inc. in accordance with the specified terms of the license agreement.

The Company recognizes revenue of its research and development service based on the research work performed in accordance or statements of work for joint development agreements and the program requirements including the small business innovation research program and the US Army medical research program based on the research work performed in accordance with the program requirements or statements of work for the joint development agreements.

The Company also recognizes revenue from the non-refundable exclusivity license fee derived from its licensees on a pro rata basis over the term of the related exclusive license agreements. Further, the Company recognizes the exclusive option fee as revenue on a pro rata basis over the term of the related exclusive option agreement.

Unearned Revenue

The amount of unearned revenue represents the exclusive option fee, the license fee, and advance royalty fee yet to be earned on a pro rata basis over the exclusive option period of the related option and license agreements.

Other Income

The Company recognizes its Qualifying Therapeutic Discovery Project (QTDP) grant from the U.S. government in connection with the advancement of the development of the NIMBUS technology for wound dressings and wound drains net of the expenses associated with the grant application in other income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Stock Compensation

The Company records share-based payment awards at fair value on the grant date of the awards, based on the estimated number of awards that are expected to vest. The fair value of stock options was determined using the Black-Scholes option-pricing model. The fair value of the restricted stock awards was based on the closing price of the Company's common stock on the date of grant.

Concentration of credit risk of financial instruments

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents and accounts receivable. As of March 31, 2012, the Company's cash levels did not exceed the federally insured limit. Beginning December 31, 2010 through December 31, 2012, the Company's bank accounts are fully insured, regardless of the balance of the account at the FDIC-insured institutions as the noninterest-bearing transaction accounts as provided by the section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The credit risk of the accounts receivable is considered limited given the customers' credit rating. There were no write-offs of uncollectible receivables during the year ended June 30, 2011.

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance on the presentation of comprehensive income that will become effective beginning January 1, 2012, with earlier adoption permitted. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The adoption of this guidance does not have an impact on the Company's financial condition or results of operations.

In September 2011, the FASB issued authoritative guidance on testing goodwill for impairment that will become effective beginning January 1, 2012, with earlier adoption permitted if the Company has not yet performed its 2011 annual impairment test or issued our financial statements. The revised standard is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The adoption of this guidance does not have an impact on the Company's financial statements.

NOTE 3 – STOCK OPTIONS AND WARRANTS

The Company adopted a qualified equity incentive plan (the “Plan”) on March 4, 2001. Under the Plan the Company is authorized to grant up to 3,000,000 shares of common stock. On December 13, 2004, the shareholders approved the Plan and ratified the amendment to increase the total number of shares to be granted under the Plan from 3,000,000 to 4,000,000 effective November 1, 2004. On November 13, 2007 the shareholders ratified the amendment to increase the total number of shares to be granted under the Plan from 4,000,000 to 6,000,000.

On November 17, 2009, the Board of Directors (the “Board”) granted 681,785 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2009. In addition, the Board granted 248,564 warrants payments to consultants for payments of their services and incentive performance awards. Of 681,785 stock options grant, approximately 115,428 were awarded to the board members for their services and were vested on the date of grant. Of 248,564 warrants issued, 99,977 warrants were vested immediately on the grant date. The remainder 566,357 stock options and 148,587 warrants were vested one-third immediately, one-third were vested on November 17, 2010 and the remaining one-third were vested on November 17, 2011, assuming the person receiving the equity awards is employed or being utilized by the Company at the time of vesting. The exercise price of those stock options and warrants is \$0.77 per share. The weighted average grant date fair value of options and warrants was \$0.48 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant. On March 31, 2010, approximately 23,631 options were forfeited.

On October 27, 2008, the Board granted 1,335,102 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2008. In addition, the Board granted 705,302 warrants payments to consultants for payments of their services and incentive performance awards. Further, 60,000 shares of restricted common stock were issued to a consultant as payment for services. Of the 1,335,102 stock options grant, approximately 464,102 were awarded to the board members for their services and were vested on the date of grant. Of the 705,302 warrants issued, 240,302 warrants were vested immediately on the grant date.

The remainder 871,000 stock options and 465,000 warrants were vested one-third immediately, one-third were vested on October 27, 2009 and the remaining one-third were vested on October 27, 2010, assuming the person receiving the equity awards is employed or being utilized by the Company at the time of vesting. The exercise price of those stock options and warrants is \$0.20 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options and warrants was \$0.19 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant.

On April 18, 2008, the Board granted 148,571 shares of restricted common stock as payment for the services rendered by the board members for the year ended June 30, 2007 for those elected to receive common stocks and all shares were immediately vested. In addition, the Board granted 1,074,666 stock options to the board members, employees, consultants as payments for their services and in recognition of individual performance for the year ended June 30, 2007. The stock options were vested one-third immediately, one-third were vested on April 17, 2009 and the remaining one-third were vested on April 17, 2010, assuming the person receiving the equity awards is employed by the Company at the time of vesting. The exercise price of those stock options is \$0.42 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options was \$0.32 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant.

On August 6, 2007, the Board granted 484,056 non-qualified stock options to the Chief Executive Officer (“CEO”) at an exercise price of \$0.75 per share. These options were fully vested and immediately exercisable at the date of grant. In addition, the Board granted 1,452,167 non-qualified stock options at an exercise price of \$0.74 per share on September 25, 2007, as part of the CEO’s employment agreement. The second stock options are vested and become exercisable 1/16th of the total 1,452,167 options on each three-month anniversary beginning on June 11, 2007. The average grant date fair value of the options was \$0.46 per share based on the Black-Scholes option-pricing model. These options expire five years from the date of grant.

On December 20, 2006, the Company issued 790,770 stock options to board members, management, employees, and consultants for their services. These options have an exercise price of \$1.05 per share. The stock options were vested one-third immediately, one-third were vested on December 20, 2007 and the remaining one-third were vested on December 20, 2008, assuming the person receiving the equity awards is employed by the Company at the time of vesting. The weighted average grant date fair value of options was \$0.69 per share based on the Black-Scholes option-pricing model. The options expire five years from the date of grant. Approximately 335,000 options were previously forfeited. On December 20, 2011, approximately 456,000 options had expired.

On September 9, 2005, the Board granted 130,000 shares of restricted common stock as payment for the services rendered by the board members for the year ended June 30, 2005, and all shares were immediately vested. In addition, the Board granted 710,000 stock options and 175,000 warrants to the employees and directors and consultants, respectively, in recognition of individual performance for the year ended June 30, 2005. The stock options and warrants were vested one-third immediately, one-third were vested on July 1, 2006 and the remaining one-third were vested on July 1, 2007. The exercise price of those stock options and warrants is \$0.80 per share, which was the closing price of the common stock on the date of grant. The weighted average grant date fair value of options was \$0.72 per share based on the Black-Scholes option-pricing model. The options and warrants expire five years from the date of grant. On September 9, 2010, approximately 545,000 options and 175,000 warrants had expired.

During the period ended March 31, 2011, 50,000 options were exercised at \$0.20 per share or an aggregate price of approximately \$10,000 under the October 2008 stock options agreement. During the period ended March 31, 2012, a warrant of 10,714 shares was granted in lieu of a \$3,000 cash payment to a service provider. The warrant is vested immediately and has an exercise price of \$0.02 per share. The warrant expires five years from the date of grant.

NOTE 3 – STOCK OPTIONS AND WARRANTS, continued

The weighted average grant date fair value of options and warrants granted during the three and nine months ended March 31, 2012 and 2011 were estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions used; risk-free interest rate of 3%; dividend yield of 0%; expected volatility of 91%; and estimated life of 5 years. Expected volatility is based on historical volatility of common stock. The expected term of the options and warrants represents the period of time that options and warrants granted are expected to be outstanding and is derived from historical terms.

A summary of options for the periods ended March 31, 2012 and 2011 is shown below:

	March 31, 2012		March 31, 2011	
	Number of Shares	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price
Outstanding at beginning of period	4,797,270	\$ 0.57	5,389,270	\$ 0.55
Granted	-	-	-	-
Exercised	-	-	(50,000)	0.20
Forfeited	-	-	-	-
Expired	(456,155)	1.05	(545,000)	0.80
Outstanding at end of period	4,341,115	\$ 0.59	4,794,270	\$ 0.57
Exercisable at end of period	4,341,115		4,585,519	
Available for issuance at end of period	<u>1,119,473</u>		<u>666,318</u>	

The following is a summary of warrants granted, exercised, canceled and outstanding involving the grants in the periods ended March 31, 2012 and 2011:

	March 31, 2012		March 31, 2011	
	Number of Shares	Weighted- Average Exercise Price	Number of Shares	Weighted- Average Exercise Price
Outstanding at beginning of period	974,920	\$ 0.47	1,228,803	\$ 0.40
Granted	10,714	0.02	-	-
Exercised	-	-	-	-
Expired	(26,351)	1.02	(248,149)	0.81
Outstanding at end of period	959,283	\$ 0.45	980,654	\$ 0.47
Exercisable at end of period	<u>959,283</u>		<u>949,698</u>	

NOTE 4 – NOTES PAYABLE

Short-Term Note

<u>Related Party</u>	<u>Maturity</u>	<u>Interest</u>	<u>Conversion</u>	<u>March 31,</u>	<u>June 30,</u>
		<u>Rate</u>	<u>Price</u>	<u>2012</u>	<u>2011</u>
Note Payable	2011	8%	N/A	\$ 215,000	215,000
Accrued interest				36,776	23,817
Total				\$ 251,776	\$ 238,817

Long-Term Note

<u>Related Party</u>	<u>Maturity</u>	<u>Interest</u>	<u>Conversion</u>	<u>March</u>	<u>June</u>
		<u>Rate</u>	<u>Price</u>	<u>31, 2012</u>	<u>30, 2011</u>
Senior Convertible Note	2013	8%	\$ 0.60	\$ 1,053,000	\$ 1,053,000
Accrued interest				168,832	105,373
Total				\$ 1,221,832	\$ 1,158,373

Others

Senior Convertible Note	2014	8%	\$ 0.50	150,000	150,000
Senior Convertible Note	2014	8%	\$ 0.50	100,000	56,000
Senior Convertible Note	2014	8%	\$ 1.00	-	44,000
Accrued interest				-	4,986
Total				\$ 250,000	\$ 254,986

Officer

Note Payable	2013	8%	N/A	\$ 95,155	\$ 107,156
Accrued interest				10,934	4,785
Total				106,089	111,941
Less current portion				27,000	18,000
Total				\$ 79,089	\$ 93,941

On March 31, 2010, the Company issued a senior convertible promissory note to a major shareholder for the principal amount of \$1,053,000, which consisted of \$600,164 in cash, \$375,000 principal balance of a prior senior convertible note together with unpaid accrued interest thereon of \$77,836. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 Note 3 to the largest shareholder ("Shareholder") and the senior convertible notes totaling \$250,000 as described below. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$859,950 as an interest expense as a result of the beneficial conversion feature.

NOTE 4 – NOTES PAYABLE, continued

Long-Term Note

	Interest		Conversion		March 31, 2012	June 30, 2011
	Maturity	Rate	Price			
<u>Related Party</u>						
2003 Senior Convertible Note	2013	6%	\$ 0.38	\$	1,268,625	\$ 1,268,625
Senior Convertible Note	2013	8%	\$ 0.74		208,955	208,955
2007 Senior Convertible Note	2013	8%	\$ 0.74		375,000	375,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.55		50,000	50,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.51		50,000	50,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.40		50,000	50,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.40		50,000	50,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.34		50,000	50,000
2007 Senior Convertible Note 2	2013	8%	\$ 0.32		50,000	50,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.32		50,000	50,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.45		70,000	70,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.40		75,000	75,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.33		50,000	50,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.42		75,000	75,000
2008 Senior Convertible Note 1	2013	8%	\$ 0.40		50,000	50,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.29		50,000	50,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.20		50,000	50,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.38		50,000	50,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.35		135,000	135,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.25		100,000	100,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.35		50,000	50,000
2008 Senior Convertible Note 2	2013	8%	\$ 0.25		50,000	50,000
2008 Senior Convertible Note 3	2013	8%	\$ 0.36		50,000	50,000
2008 Senior Convertible Note 3	2013	8%	\$ 0.19		50,000	50,000
2008 Senior Convertible Note 3	2013	8%	\$ 0.31		50,000	50,000
2009 Senior Convertible Note 1	2013	8%	\$ 0.18		35,000	35,000
2009 Senior Convertible Note 1	2013	8%	\$ 0.37		35,000	35,000
2009 Senior Convertible Note 1	2013	8%	\$ 0.43		35,000	35,000
2009 Senior Convertible Note 1	2013	8%	\$ 0.43		35,000	35,000
2009 Senior Convertible Note 1	2013	8%	\$ 0.45		35,000	35,000
2009 Senior Convertible Note 2	2013	8%	\$ 0.48		35,000	35,000
2009 Senior Convertible						

Note 2	2013	8%	\$	0.47	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.42	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.53	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.58	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.52	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.46	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.55	35,000	35,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.63	50,000	50,000
2009 Senior Convertible						
Note 2	2013	8%	\$	0.60	45,000	45,000
2009 Senior Convertible						
Note 3	2013	8%	\$	0.50	135,000	135,000
2009 Senior Convertible						
Note 3	2013	8%	\$	0.60	465,000	465,000
Accrued interest					1,270,504	1,029,985
Total					<u>\$ 5,578,084</u>	<u>\$ 5,337,565</u>
Total long term note payable					<u>\$ 7,129,005</u>	<u>\$ 6,844,865</u>
Total debt					<u>\$ 7,407,781</u>	<u>\$ 7,101,682</u>

NOTE 4 – NOTES PAYABLE, continued

On March 31, 2010, the Company issued two senior convertible promissory notes totaling \$250,000 to third parties. These senior convertible notes are secured by the Company's revenues and assets with the same priority as the 2009 Note 3 to the Shareholder and the senior convertible note to a major shareholder. These notes have an annual interest rate of 8% with a maturity date of June 30, 2014. These notes have the convertible price of \$1.00 per share of common stock. The Company has recorded approximately \$22,500 as an interest expense as a result of the beneficial conversion feature. During the year ended June 30, 2011, the conversion price of the \$150,000 senior convertible promissory note was reduced to \$0.50 per share of common stock as part of the arrangement of the additional investment in the Company's restricted common stock by the note holder. In addition, the conversion price on the \$100,000 senior convertible promissory note was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

On December 16, 2010, the Company issued a promissory note to an officer for the principal amount of \$113,155, which consisted of a total 100,000 principal balance of four prior convertible notes together with unpaid accrued interest thereon of \$13,155. This note has an annual interest rate of 8%, a maturity date of December 31, 2013. The outstanding principal amount will be paid at a rate of \$1,000, \$2,000 and \$3,000 each month for the first 12 months, the second 12 months and the third 12 months, respectively. As of March 31, 2012, the Company paid an aggregate principal amount of approximately \$18,000 to the officer. The remaining outstanding principal balance and accrued interest will be paid on the maturity date.

Effective March 15, 2010, the Company issued a \$215,000 promissory note payable to the largest shareholder ("Shareholder"). The Company received the borrowings (the "Advances") in a series of \$50,000 on January 29, February 12 and March 15, 2010, \$34,000 on January 13, 2010, \$11,000 on January 14, 2010, and \$20,000 on February 26, 2010 totaling \$215,000. This note is secured by the Company's revenues and assets. In addition, the note has a 8% interest rate per annum and has a maturity date of March 12, 2011, which was extended to October 31, 2011. The Company is currently in negotiation with the Shareholder to extend the maturity date.

In November 2009, the Company finalized and issued a \$600,000 2009 senior convertible note payable ("2009 Note 3") to the Shareholder. The Company received the borrowings (the "Advances") in a series of \$45,000 on September 8, 2009, \$25,000 on September 11, 2009, \$125,000 on September 23, 2009, \$100,000 on October 14, 2009, \$50,000 on October 28, 2009, \$175,000 on November 12, 2009, \$50,000 on December 14, 2009, and \$30,000 on February 26, 2010 totaling \$600,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below with a 8% annual interest rate and has a maturity date of December 31, 2013. This note has the conversion price of \$0.60 per share of common stock. The Company has recorded approximately \$215,500 as an interest expense to date for the Advances received as a result of the beneficial conversion feature. As part of the terms of this note, the maturity dates of all other outstanding senior convertible notes owed to the Shareholder are extended to December 31, 2013. During the year ended June 30, 2011, the conversion price on a \$135,000 portion of the 2009 Note 3 was also reduced to \$0.50 per share of common stock as a result of the additional investment in the Company's restricted common stock.

Effective May 12, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 2") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from May 12, 2009 through August 12, 2009, \$50,000 and \$45,000 on August 14 and 27, 2009, respectively totaling \$375,000. As of June 30, 2009, the Company received \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2009 and 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 26, 2009, the Company issued a 2009 senior convertible note payable ("2009 Note 1") to the Shareholder to combine the borrowings (the "Advances") in a series of \$35,000 each from February 26, 2009 through April 30, 2009 totaling \$175,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2008 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective September 15, 2008, the Company issued a 2008 senior convertible note payable ("Note 3") to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from September 15, 2008 through October 15, 2008 totaling \$150,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective May 17, 2008, the Company issued a 2008 senior convertible note payable ("Note 2") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$135,000 each from May 17, 2008 through August 28, 2008 totaling \$485,000. This Note 2 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 2 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective February 11, 2008, the Company issued a 2008 senior convertible note payable ("Note 1") to the Shareholder to combine the borrowings (the "Advances") ranging from \$50,000 to \$75,000 each from February 11, 2008 through April 29, 2008 totaling \$370,000. This Note 1 is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This Note 1 has the conversion prices determined by the closing trading prices of the Company's common stock on the dates the Advances were received.

Effective October 30, 2007, the Company issued another 2007 senior convertible note payable to the Shareholder to combine the borrowings (the "Advances") in a series of \$50,000 each from October 30, 2007 through January 30, 2008 totaling \$300,000. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes described below and has a maturity date of December 31, 2013. This note has the conversion prices determined by the closing trading prices of the Company's common stock on the

dates the Advances were received.

In June 2007, the Company issued two other 2007 senior convertible note payables to the Shareholder and a major stockholder for \$375,000 each. These two senior convertible note payables are secured by the Company's revenues and assets. The Company may prepay the principal and interest upon meeting certain cash flow requirements and the approval of the board. As described above, on March 31, 2010, the \$375,000 senior convertible note to a major shareholder together with the unpaid accrued interest thereon was combined as part of the new senior convertible note of \$1,053,000 principal balance and new terms including a new maturity date of December 31, 2013.

NOTE 4 – NOTES PAYABLE, continued

In addition, the Company combined its other outstanding note payables to the Shareholder totaling \$208,955 into a single note with the same annual interest rate and extended the maturity date to 2010. This senior convertible note is secured by the Company's revenues and assets with the same priority as the 2007 senior convertible notes. Further, the 2003 senior convertible note maturity date was extended until July 13, 2010. The maturity date is further extended to December 31, 2013.

In September 2003, the Company negotiated a successor agreement with the Shareholder regarding the line of credit, which became a single convertible note for up to \$1,500,000 excluding accrued interest, at an interest rate of 6% and due July 1, 2004. The convertible note is secured by the assets and revenues of the Company, which has the same priority as other senior convertible note payables. The note plus accrued interest will be convertible at a conversion rate of \$0.38 per share. The conversion rate was determined as 15% above the average share price over the prior 20 trading days (\$0.33 per share). The note has an anti-dilution provision in the event that the Company sells stock to other investors at less than \$0.20 per share. During the year ended June 30, 2006, the maturity date of the note was extended until October 1, 2007. In January 2007, the Chairman agreed to extend the maturity date of the note until April 1, 2008. In June 2007, the maturity date of this note was extended to July 2010. The maturity date is further extended to December 31, 2013.

At March 31, 2012, the Company accrued interests of \$1,270,504, \$36,776, \$168,832, and \$10,934 on the convertible notes and the note payable with the Shareholder, the convertible note with a related party, and the note payable to the officer.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Company adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. FASB ASC 820 establishes and prioritizes three levels of inputs that may be used to measure fair value:

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

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of March 31, 2012:

	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Assets				
Cash equivalents (1)	\$ 21,388	\$ 21,388	-	-
Total financial assets	\$ 21,388	\$ 21,388	-	-
Financial Liabilities				
Convertible notes payable (2)	\$ 6,685,217	-	-	\$ 6,685,217
Total financial liabilities	\$ 6,685,217	-	-	\$ 6,685,217

(1) Cash Equivalents

The Company's cash equivalents include short-term investments, which are money market funds. Since these are short-term highly liquid investments with original maturities of three months or less at the date of purchase, they present negligible risk of changes in value due to changes in interest rates. These short-term investments are recorded at fair value on the Company's balance sheet based on quoted market prices and observable market inputs.

(2) Convertible Notes Payable

As fully described in Note 4, the Company's convertible notes payable are long-term debts with fixed interest rates and the conversion rates at market at the time the funds were received. In addition, most of these notes are collateralized by the Company's assets and revenues. Further, the debt holders are major shareholders and an officer. The Company is in a start up phase. The Company estimates the fair value of the convertible notes for disclosure purposes by discounting the future cash flows using rates of debts that management believes are similar in terms and maturity. The Company's short-term convertible note payable is approximate market value.

NOTE 6 – RELATED PARTY TRANSACTIONS

As fully described in Note 4, the Company has several senior convertible note payables with the Shareholder, a major stockholder, and third parties and a promissory note with an officer during the periods ended March 31, 2012 and June 30, 2011.

NOTE 7 – SUBSEQUENT EVENTS

In May 2012, the Company signed a Patent and Technology License Agreement (the "Agreement") to license its *Stay Fresh*® antimicrobial technology to a hosiery manufacturer and distributor. Under the terms of the Agreement, the licensee will manufacture, distribute, market and sell consumer socks incorporated the Company's proprietary antimicrobial technology.

In April 2012, the U.S. Patent and Trademark Office has issued a Notice of Allowance for the Company's pending patent, "System and Method for Enhancing the Efficacy of Antimicrobial Contact Lenses and Other Surfaces."

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

The following discussion should be read in conjunction with our financial statements and related notes appearing elsewhere in this Form 10-Q and our Amendment No. 1 to the Annual Report on Form 10-K/A for our fiscal year ended June 30, 2011. The terms "Quick-Med", the "Company," "we," "our" or "us" refer to Quick-Med Technologies, Inc., a Nevada corporation. This discussion contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements are based on our current expectations, assumptions, and estimates. The words or phrases "believe," "expect," "may," "anticipates," or similar expressions are intended to identify "forward-looking statements." In addition, any statements that refer to trends in our businesses, future financial results, and our liquidity and business plans are forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties pertaining to our business, including without limitation: (a) because we have a limited operating history and our technologies are still evolving, we may not be able to successfully manage our business or achieve profitability; (b) our technology and product development processes, which include regulatory approvals, are lengthy and expensive and there is no assurance that we will have sufficient resources to complete development related to these processes; (c) our history of losses makes it difficult for you to evaluate our current and future business and prospects and future financial results; (d) we have negative cash flow from operations and an accumulated deficit that raises substantial doubt about our ability to continue as a going concern; (e) our future business is dependent upon third parties to market, manufacture, and distribute our technologies and/or products or jointly developed products; (f) there is no assurance that our technologies or products will be accepted in the marketplace; (g) we do not currently carry product liability insurance and, therefore, should we be subject to a product liability claim, our financial condition may be adversely affected; (h) our operations are currently funded by our revenues and our debt or equity financings, but there are no assurances that these revenues and financings will be sufficient to ensure our future financial performance and viability; (i) we have substantial debt obligations due to our largest shareholder and a major shareholder, who have funded our operations, debt obligations, including those that are secured by our assets and revenues and are senior obligations; (j) there is no assurance that we will be able to attract and retain highly skilled scientific, technical and management personnel, who are critical to our success; (k) based on our cash position at March 31, 2012, we cannot continue to satisfy our current cash requirements for a period of twelve (12) months through our existing capital; and (l) other risk factors discussed in our annual report for the fiscal year ended June 30, 2011 and other periodic filings, which may be accessed at <http://www.sec.gov>. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Overview

Quick-Med is a life sciences company focused on developing proprietary, broad-based technologies in the consumer and healthcare markets. Our four core technologies are: (1) Novel Intrinsically Micro-Bonded Utility Substrate (NIMBUS®), a family of advanced polymers bio-engineered we believe to have antimicrobial, hemostatic, and other properties that can be used in a wide range of applications, including wound care, catheters, tubing, films, and coatings; (2) *Stay Fresh*®, a unique chemical formulation for textiles with a durable antimicrobial agent effective against an array of bacteria even after numerous laundering cycles; (3) NimbuDerm™, a novel copolymer for application as a persistent hand sanitizer with long lasting protection against germs; and (4) MultiStat®, a family of advanced patented methods and compounds shown to be effective in skin therapy applications. NIMBUS technology was first commercialized in June 2009 in an advanced wound care product line by our licensee in the U.S. and Canada institutional markets (i.e. hospitals and health care facilities). It has also been licensed in separate agreements for the over-the-counter, retail wound care market, for medical adhesives, and for traditional wound care products in India. The Company is targeting NIMBUS technology for additional advanced wound care products, catheters, incontinence products, and other medical devices. MultiStat has been commercialized in a cosmetic product line with the anti-aging products. *Stay Fresh* is currently under development with a broad range of potential applications including the consumer textile market. NimbuDerm is also a technology currently being developed.

Our strategy is to further develop our core technologies as well as develop additional technologies. We will attempt to commercialize these technologies through strategic licensing partnership agreements, joint ventures, or co-development agreements. We do not intend to manufacture or distribute final products; instead, we plan to seek partnership arrangements and/or license agreements with third parties to develop products that use our technologies and who will perform the manufacturing, marketing, and distribution functions associated with our technologies.

Our business model has been to attempt to develop the following revenue segments:

- Royalty and license fees;
- Profit sharing revenues;
- Research and development fees paid to us in connection with joint development agreements; and
- Government research and development grants.

Our potential revenues will likely be derived from government agencies and the following types of companies in connection with our NIMBUS, *Stay Fresh*, NimbuDerm and MultiStat technologies:

- Healthcare and medical;
- Apparel and textile; and
- Personal care companies.

Recent Developments

In May 2012, we entered into a royalty bearing Patent and Technology License Agreement ("Doris License Agreement") with Doris Hosiery Mills, Limited ("Doris License Agreement"), effective as of March 30, 2012, on an exclusive and non-exclusive basis in certain territories. Under terms of the Doris License Agreement, Doris will manufacture, distribute, market and sell consumer socks that incorporate Quick-Med's proprietary *Stay Fresh* antimicrobial technology. The Doris License Agreement calls for certain performance requirements in order to maintain the exclusivity. Doris has expressed that it expects to begin selling socks incorporating our proprietary *Stay Fresh*[®] antimicrobial technology this fall.

In April 2012, the U.S. Patent and Trademark Office issued a Notice of Allowance for the Company's pending patent, "System and Method for Enhancing the Efficacy of Antimicrobial Contact Lenses and Other Surfaces." The forthcoming patent covers the method of post-treating NIMBUS contact lens and other NIMBUS surfaces to enhance antimicrobial efficacy and increase biofilm resistance. By introducing a citrate solution to a surface to which a NIMBUS polymer has been non-leachably bound, the bactericidal performance is improved significantly. This enhancement is particularly useful in achieving antimicrobial protection in delicate materials such as soft contact lenses with gel-like physical properties and a high percentage of water content and where requirements for clarity and material integrity limit the amount of antimicrobial agent that can be employed. A Notice of Allowance communicates the Patent Office's determination that the applicant is entitled to a patent under the law. The Company expects the new patent to issue in late July.

Uncertainties and Trends

Our revenues are dependent now and in the future upon, among other things, the following factors:

- Acceptance of our products or future products in the marketplace;
- Our partners' ability to develop, market and distribute our technologies under a strategic partnership agreement;
- Demand for products or future products that utilize our technologies;
- Our ability to secure license or profit sharing related agreements and secure government research and development grants;
- Our ability to market our technologies to health care, apparel, cosmetic, and personal care companies;
- Our ability to successfully conduct laboratory and clinical testing of our potential products;
- Our ability to obtain regulatory approval of our future products; and
- Other risk factors discussed in our annual report for the fiscal year ended June 30, 2011 and other periodic reports.

Uncertainties or trends that may affect our business also include the possibility (i) that known or unknown competitors may develop products with similar applications to our proposed products, which may prove to be superior in performance and/or price to our products and (ii) that proposed applications involving our products have collateral effects which render the application undesirable or unmarketable.

Government Regulation

Many of the end-user applications for our technology are regulated in the U.S. as medical devices by the Food and Drug Administration ("FDA") and/or as treated articles by the Environmental Protection Agency ("EPA").

The FDA's regulations govern, among other things: pre-clinical testing; product design and development; pre-market clearance or approval; advertising and promotion; labeling; manufacturing; product import/export; storage; record keeping; reporting of adverse events; corrective actions and removals; recalls; and distribution.

One of the exemptions to the requirement of pre-market clearance is 510(k) pre-market notification, which is submitted to the FDA to demonstrate that the new device is "substantially equivalent" to a previously cleared 510(k) device or a device that was in commercial distribution before May 29, 1976 (or to a pre-1976 Class II device for which the FDA has not yet called for the submission of pre-market approval ("PMA")). Such devices are deemed to be "predicate devices" for future applications. A PMA must be submitted if the device cannot be cleared through the 510(k) process. The PMA process is much more demanding than the 510(k) pre-market notification process.

If a medical device is found NSE (not substantially equivalent) by the FDA and therefore a 510(k) pathway is not available, a second alternative pathway to the lengthy and costly PMA is available for low risk devices. This is called the De Novo application. The FDA Modernization Act of 1997 amended Section 513 (f)(2) of the Federal Food, Drug and Cosmetic Act (the "FFDC Act") to provide this mechanism to reclassify statutorily classified class III products. This is considered a fairly unique pathway for clearance and typically is only allowed for new technologies of low risk. The FDA allows unlimited responses when on this pathway, different than the three allowed responses under a normal 510(k). A device placed into class I or II in this written order can then be commercially distributed, subject to other applicable provisions of the FFDC Act. A device classified into class I or II under this new provision becomes a predicate device for future pre-market notification submissions, which means that a manufacturer may show that a new device is substantially equivalent to this predicate. This route to clearance is referred to as De Novo because it establishes a new alternative for a new technology.

On February 26, 2009, we received clearance from the FDA for our De Novo application of our patented NIMBUS barrier gauze wound care dressings. This represents the first FDA clearance for NIMBUS – a technology that was put through FDA's De Novo process, a special clearance program for medical devices that are found to be "not substantially equivalent" to any predicate device.

This section should be read in conjunction with our annual report on Form 10-K for fiscal year ended June 30, 2011 filed with the SEC for further discussions in the sections entitled, "Government Regulation," "510(k) Clearance Pathway" and "De Novo: Alternative Pathway to PMA."

EPA regulations govern the sale and distribution of pesticides in the United States. EPA requires registration of a new pesticide or a "new use" of a previously registered pesticide. EPA regulations also govern the particular types of claims that manufacturers and marketers may make on

products or articles that are treated with registered pesticides. To obtain a registration, EPA requires specific studies and tests to insure that the pesticide, when used according to label directions, does not pose unreasonable risks to human health or to the environment. After review by EPA, a Notice of Pesticide Registration is issued and the pesticide can be used legally in the U.S., provided that the use and claims are consistent with the EPA approved product label.

On January 27, 2011 EPA granted registration for our patent pending *Stay Fresh* antimicrobial technology. *Stay Fresh* is the only antimicrobial technology containing hydrogen peroxide approved by EPA for antimicrobial preservation of textiles. Our EPA registration covers a range of textile applications including apparel, interior furnishings, automotive upholstery and carpeting.

Capital Expenditures and Requirements

From 2000 to March 2012, we have spent approximately \$1,013,000 on the acquisition of patents and exclusive license agreements. We owe an additional \$160,000 to Dr. Richard Galardy which is due when certain milestones are met in connection with a September 2000 license agreement we have with Dr. Galardy and Dr. Damian Grobelny. This license agreement provided that we compensated approximately 80,000 common shares, 80,000 stock options and \$50,000 in cash each, to Dr. Galardy and Dr. Grobelny for the exclusive license of the Ilomastat technology, which they invented.

We do not expect any significant additions to property, plant and equipment.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Condensed Financial Statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. The estimates and assumptions are evaluated on an on-going basis and are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Estimates and assumptions include, but are not limited to economic useful lives of fixed and intangible assets, income taxes, valuation of options and warrants granted, and contingencies. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. We believe that the estimates, assumptions and judgments involved in revenue recognition, receivables and allowances for doubtful accounts, accruals including stock-based compensation, deferred costs, research and development, and impairment of intangible assets have the greatest potential impact on our condensed financial statements, so we consider these to be our critical accounting policies. Management believes that there have been no significant changes during the nine months ended March 31, 2012 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our amendment no. 1 to the Annual Report on Form 10-K/A for the year ended June 30, 2011.

Recent Accounting Pronouncements

For a description of the new accounting standards that affect us, see Note 2 of notes to our condensed financial statements included under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Comparison of Nine Months Ended March 31, 2012 and 2011

Revenues. During the nine months ended March 31, 2012 we had \$717,259 of revenues, compared to \$789,385 of revenues for the nine months ended March 31, 2011, representing a \$72,126 or 9% decrease in our revenues. Our revenues during the nine months ended March 31, 2012 consisted of: (a) \$319,604 royalty and license fees consisting of \$287,009 in royalty fees from the sales of BIOGUARD[®] advanced wound care product by Derma Sciences, Inc., our licensee, and \$32,595 in license and other related fees representing the earned portion of the license fees from our licenses; (b) \$284,655, which represented our royalties in the form of revenue share from MultiStat product sales by BASF Corporation ("BASF"), in connection with a manufacturing and distribution agreement we have with BASF for product development, manufacturing and distribution (the "BASF Agreement"); and (c) \$113,000, which represented the revenue earned from development projects. Our royalties in the form of a revenue share from MultiStat product sales declined \$78,913 or approximately 22%, reflecting a lower revenue share under the current BASF Agreement for the nine months period ended March 31, 2012 and a lower total sales of MultiStat product from comparable prior period. We cannot anticipate MultiStat product sales by BASF for subsequent quarters given current economic market uncertainties in general and the retail cosmetic industry in particular.

Our revenues during the nine months ended March 31, 2011 consisted of (a) \$232,067, from royalty and license fees consisting of \$15,911 in license fees representing the earned portion of the license fees from our licenses and \$216,156 from the sales of BIOGUARD[®] advanced wound care product by Derma Sciences, Inc.; (b) \$363,568 which represented our royalties from the product sales by BASF; and (c) \$193,750, which represented the revenue earned from development projects.

We granted BASF the exclusive and non-exclusive licenses to develop and market our Ilomastat product for the field of over-the-counter anti-aging (chronological aging or photoaging) cosmetics. Under the terms of this agreement, we and BASF shared the net revenues in each contract calendar year beginning January 1, 2008 until December 31, 2010 in accordance with certain sharing percentages as defined in the agreement. Both parties extended the BASF Agreement until December 31, 2014.

Operating Loss. Operating loss for the nine months ended March 31, 2012 was \$1,005,613 as compared to \$1,287,020 in operating loss for the nine months ended March 31, 2011, representing a decrease of 22% or \$281,407 in operating loss. The decrease in operating loss was primarily attributable to a decrease in operating expenses of \$353,533 offset by a decrease in revenues of \$72,126 for the nine months ended March 31, 2012. The decrease in operating expenses was primarily due to the following: (a) a decrease in general and administrative expenses of \$326,009 or 31%; (b) a decrease in research and development expenses of \$41,119 or 6%; (c) a decrease of \$4,676 or 21% in cost of revenues; offset by (d) an increase in licensing and patent expenses of \$21,091 or 10%.

Research and Development Expense. Research and development expense decreased by \$41,119 or 6% to \$683,889 for the nine months ended March 31, 2012 from \$725,008 for the nine months ended March 31, 2011. The decrease in research and development expense is primarily attributable to a reduction in the compensation expense, the remaining subcontractor expenses related to the SBIR phase II program, and lower stock-based compensation expenses than in prior year comparable period.

General and Administrative Expense. General and administrative expense decreased by \$326,009 or 31% to \$742,443 for the nine months ended March 31, 2012 from \$1,068,452 for the nine months ended March 31, 2011. This decrease in our general and administrative expenses is mainly attributed to lower compensation costs, lower expenses related to the investor relations programs, other expenses and smaller stock-based compensation expenses than in the prior year's comparable period.

Licensing and Patent Expense. Licensing and patent expense increased by \$21,091 or 10% to \$230,233 for the nine months ended March 31, 2012 from \$209,142 for the nine months ended March 31, 2011. This increase was primarily due to higher regulatory expenses related to licenses offset by lower patent maintenance fees than those of prior comparable period.

Other Income. In October 2010, we were awarded a grant of approximately \$244,000 before the direct expenses related to the grant application, by the U.S. government under the Qualifying Therapeutic Discovery Project ("QTDP") program to advance the development of the NIMBUS technology for wound dressings and wound drains. There was no similar income received in the nine months period ended March 31, 2012.

Interest Expense. Interest expense of \$338,153 on notes payable for the nine months ended March 31, 2012 remained consistent in comparison to \$337,117 the nine months ended March 31, 2011 as there was no new notes payable issued between March 31, 2011 to March 31, 2012.

Net Loss. Net loss for the nine months ended March 31, 2012 was \$1,342,395 or \$0.04 per share compared to \$1,427,119 or \$0.04 per share for the nine months ended March 31, 2011. This decrease is primarily attributable to a reduction in general and administrative expenses, a decrease in research and development expenses, and a decrease in cost of sales offset by a reduction in revenues and the absence of other income.

Comparison of Three Months Ended March 31, 2012 and 2011

Revenues. During the three months ended March 31, 2012 we had \$198,300 of revenues, compared to \$156,851 of revenues for the three months ended March 31, 2011, representing a \$41,449 or 26% increase in our revenues. Our revenues during the three months ended March 31, 2012 consisted of: (a) \$117,867 royalty and license fees consisting of \$102,684 in royalty fees from the sales of BIOGUARD® advanced wound care product by Derma Sciences, Inc., our licensee, and \$15,183 in license and other related fees representing the earned portion of the license fees from our licenses; (b) \$77,433, which represented our royalties in the form of revenue share from MultiStat product sales by BASF, in connection with a manufacturing and distribution agreement we have with BASF for product development, manufacturing and distribution (the "BASF Agreement"); and (c) \$3,000, which represented the revenue earned from development projects.

Our revenues during the three months ended March 31, 2011 consisted of (a) \$77,766 royalty and license fees consisting of \$6,891 in license fees representing the earned portion of the license fees from our licenses and \$70,875 from the sales of BIOGUARD® advanced wound care product by Derma Sciences, Inc.; (b) \$69,085 which represented our royalties from the product sales by BASF; and (c) \$10,000, which represented the revenue earned from development projects.

Operating Loss. Operating loss for the three months ended March 31, 2012 was \$307,085 as compared to \$501,482 in operating loss for the three months ended March 31, 2011, representing a decrease of 39% or \$194,397 in operating loss. The decrease in operating loss was primarily attributable to a decrease in operating expenses of \$152,948 coupled with an increase in revenues of \$41,449 for the three months ended March 31, 2012. The decrease in operating expenses was primarily due to the following: (a) a decrease in general and administrative expenses of \$117,307 or 36%; (b) a decrease of \$37,404 or 15% in research and development expenses; offset by (c) a slight increase in licensing and patent expenses of \$1,594 or 3%; and (d) an increase in cost of revenues of \$1,348 or 27%.

Research and Development Expense. Research and development expense decreased \$37,404 or 15% to \$210,235 for the three months ended March 31, 2012 from \$247,639 for the three months ended March 31, 2011. The decrease in research and development expense is primarily attributable to a decrease in compensation expense from a voluntary reduction in personnel, a waiver of a partial salary by the VP of research and development and lower stock-based compensation expenses offset by higher outside contract services than in prior year comparable period.

General and Administrative Expense. General and administrative expense decreased by \$117,307 or 36% to \$210,712 for the three months ended March 31, 2012 from \$328,019 for the three months ended March 31, 2011. This decrease in our general and administrative expenses is mainly attributed to lower expenses related to the investor relations programs, travel expenses, a waiver of a partial salary by the CEO and no stock-based compensation expense in the current quarter as compared to approximately \$57,000 in prior year comparable period.

Licensing and Patent Expense. Licensing and patent expense increased slightly by \$1,594 or 3% to \$62,323 for the three months ended March 31, 2012 from \$60,729 for the three months ended March 31, 2011. This increase was primarily due to higher regulatory expenses related to licenses offset by lower patent maintenance fees than those of prior comparable period.

Interest Expense. Interest expense of \$111,819 on notes payable for the three months ended March 31, 2012 remained consistent in comparison to \$110,865 the three months ended March 31, 2011 as there was no new notes payable issued between March 31, 2011 to March 31, 2012.

Net Loss. Net loss for the three months ended March 31, 2012 was \$418,846 or \$0.01 per share compared to \$611,898 or \$0.02 per share for the three months ended March 31, 2011. This decrease is primarily attributable to a reduction in general and administrative expenses and in research and development expenses coupled with an increase in revenues.

Liquidity and Capital Resources

Our auditors have issued a going concern opinion on our audited financial statements for the fiscal years ended June 30, 2011 and 2010 as we have experienced recurring losses and negative cash flows from operations in these periods. In addition, we have a net capital deficiency. These matters raise substantial doubt about our ability to continue as a going concern.

Total cash on hand at March 31, 2012 was \$21,548 as compared with \$263,655 at December 31, 2011. Subsequent to March 31, 2012, we collected approximately \$147,000 of the outstanding receivable balance as of May 11, 2012.

In November 2011, we entered into a License Agreement (the "Agreement") with Biosara Corporation ("Biosara") effective as of October 1st, 2011 (the "Effective Date") on an exclusive basis. In consideration for the execution of the Agreement and for the exclusive license, Biosara shall pay the Company a non-refundable and non-creditable payment upon signing the Agreement. The Company will receive another non-refundable and non-creditable payment upon the first commercial product sale or twelve (12) months from the Effective Date. Further, the Company will receive royalty payments on the product sales at different royalty rates pursuant to the sales volumes stipulated in the Agreement. Biosara must pay a certain minimum royalty amount to the Company each quarter, otherwise the Company may at its option, cancel Biosara's exclusivity arrangement or terminate the license altogether.

In March 2010, we entered into License Agreement (the "Agreement") on an exclusive basis with a division of a major consumer products company (the "Licensing Party"). In consideration for the execution of the Agreement and for the exclusivity, the Licensing Party shall pay the Company a non-refundable and non-creditable payment. The Company will receive another non-refundable and non-creditable payment upon meeting a certain condition. In addition, the Licensing Party shall pay the Company the non-refundable payment that will be creditable towards future earned royalties upon the first commercial product sale. If the first commercial product sale does not occur by certain future dates, the Licensing Party shall pay the Company additional non-refundable payments that will be creditable against future earned royalties. Further, the Company will receive royalty payments on the product sales at different royalty rates pursuant to the sales volumes stipulated in the Agreement. The Licensing Party did not meet achieve the first commercial sale by the agreed date which requires a milestone payment to the Company. In addition, the Company have met a certain condition subsequent to December 31, 2011, which requires another milestone payment from the Licensing Party to the Company. In May 2012, the Licensing Party informed us of its intent to discontinue the Agreement.

In June 2009, our licensee, Derma Sciences, Inc. launched the commercial sale of BIOGUARD[®] an advanced wound care product employing our NIMBUS technology. From the launch date to December 31, 2011, our royalty fees related to this product were approximately \$627,000, net of \$75,000 of advance royalty fees. In accordance with the terms of the license agreement, the first \$75,000 royalty fees from Derma Sciences were offset against the advance payments we received in 2007, the subsequent royalty fees will be at 20% of the net sales, as defined in the license agreement. In addition, we granted our licensee a temporary small reduction in the royalty rates on certain cotton-based BIOGUARD products for a six month period beginning from January 1 to June 30, 2011. The royalty rate of 20% for these cotton-based products resumed effectively on July 1, 2011. We are unable to determine the royalty fees that we will receive in the future at this time. We expect minimal direct expenses in relation to this license agreement.

In September 2006, we received the SBIR Phase II grant, which included the option of SBIR Phase I, totaling approximately \$840,000 over the next two years and we expect the cash outflows related to this grant of approximately \$390,000 to subcontractors and other direct expenses. To date, we received approximately \$840,000 and incurred approximately \$282,000 in expenses to subcontractors and other direct expenses.

Equity Financing and our Cash Requirements

Based on our cash position at March 31, 2012, we cannot continue to satisfy our current cash requirements for a period of twelve (12) months through our existing capital. We anticipate total estimated, operating and research and development expenditures, and patent related legal fees of approximately \$148,000 per month or an aggregate of approximately \$1,776,000 over the next twelve (12) months, in the following areas:

- Research and development expenditures of approximately \$63,000 per month or an aggregate \$756,000 over the next twelve (12) months, which will consist of the following estimated monthly expenditures: (a) \$43,000 in payroll for scientists; (b) \$5,000 for outside research and development expenditures; and (c) \$15,000 for chemical supplies and laboratory operating expenses, including rent expense;
- Patent related legal fees of approximately \$20,000 per month or an aggregate \$240,000 annually; and
- Operating expenses of approximately \$65,000 per month or an aggregate \$780,000 over the next twelve (12) months, including business developments, personnel costs, investors relations, director and officer insurance, general liability insurance, investors relations, rent, consulting fees, utilities, legal and accounting fees, and travel.

Our current cash balance of \$21,548 as of March 31, 2012, and our accounts receivable of approximately \$161,000, approximately \$147,000 of which was collected after March 31, 2012, will satisfy our cash requirements for approximately no more than one (1) month assuming no further receipt of revenues from our licensees, additional debt or equity financing, other licensing alternative, and further reduction of personnel and or expenses. If we are unable to satisfy the remainder of our obligations by equity and/or debt financings and other licensing alternative, we will be unable to satisfy our cash requirements beyond approximately no more than one (1) month assuming no further receipts of revenues and additional debt or equity financing.

Index

We are attempting to raise additional cash by means of equity and or debt financing as well as exploring other strategic and licensing alternatives. Further, in late February 2012, our CEO, our VP of Research and Development and our CFO have waived or postponed one-half of their salaries or fees for a three month period with an automatic extension for another three month period unless the officers notify us otherwise. To date, no officers have notified us to discontinue the waiver or the postponement of salary or fees. In addition, the personnel has been reduced voluntarily or involuntarily through March 31, 2012. If it is determined that these steps are not sufficient to match the revenues to the expenses, the officers will further waive or postpone their salaries or fees. In addition, the expenses will be curtailed including temporary furlough of personnel until circumstances.

Further, we are implementing a cash conservation strategy by extinguishing certain obligations through share-based payments and reducing our use of consulting services. However, our ability to raise cash through equity or debt financing with third parties will be difficult in the current credit environment. There are no assurances that any equity offering and/or debt financing we enter into will be successful or sufficient to meet our cash requirements or that our cash conservation strategy will be successful. Even if we were able to obtain debt or equity financing, the terms of such financing may be very unfavorable to us. Further, any sale of newly issued debt or equity securities could result in additional dilution to our current stockholders.

As of March 31, 2012, we have ten senior convertible notes payable outstanding to our largest shareholder totaling approximately \$5,600,000 including accrued interest with interest rates ranging from 6% to 8% per annum and maturity dates of December 2013. These notes are convertible at conversion prices ranging from \$0.18 to \$0.74 per share and are secured by our revenues and assets. We also have a note payable with our largest shareholder of \$247,487 including accrued interest with a maturity date of October 31, 2011 and an annual interest rate of 8% and we are currently in discussion with our largest shareholder regarding the extension of the maturity date. We also have a senior convertible note payable to a major stockholder with a balance \$1,221,832 including accrued interest. The senior convertible note has an 8% interest rate per annum with a conversion price of \$0.60 per share, a maturity date of December 31, 2013, and is secured by our revenues and assets. Further, we have two senior convertible notes totaling \$250,000 including accrued interest with third parties. These notes have an 8% interest rate per annum with a conversion price of \$0.50, a maturity date of June 30, 2014. In addition, we have a promissory note payable with an officer totaling \$106,089 including accrued interest with an interest rate of 8% per annum and a maturity date in December 2013.

If we are unable to successfully repay our debt and or meet our current operating expenses, we may have to liquidate our business and undertake any or all the steps outlined below.

- Significantly reduce, eliminate or curtail our business, operating and research and development activities so as to reduce operating costs;
- Sell, assign or otherwise dispose of our assets, if any, to raise cash or to settle claims by creditors, including the Shareholder, the major shareholder, and the senior shareholder notes from third parties;
- Pay our liabilities in order of priority, if we have available cash to pay such liabilities;
- If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our shareholders in an amount equal to the net market value of our net assets;
- File a Certificate of Dissolution with the State of Nevada to dissolve our corporation and close our business;
- Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and
- Make the appropriate filings with FINRA to affect a delisting of our stock.

Based upon our cash requirements for our plan of operations and our current dividend policy of investing any available cash to our operations, however, we do not plan to distribute any cash to our stockholders.

At March 31, 2012, we had a negative working capital of \$870,567 that primarily consists of: (a) cash of \$21,548; (b) accounts receivable of \$161,231; (c) accounts payable of \$535,580; (d) accrued expenses of \$91,094; (e) unearned revenue of \$147,896; (d) note payable to related party of \$251,776 including accrued interest; and a current portion of long term note payable of \$27,000. At March 31, 2012, we had a stockholders' deficit of \$7,720,566 a portion of which is due to non-cash share based compensation expense and non-cash interest expense from the notes payable conversions and the beneficial conversion feature of certain convertible notes.

Cash used in operating activities was \$848,245 for the nine months ended March 31, 2012. Net cash used in investing activities was \$95,574. Net cash provided by financing activities was \$16,000.

Contractual Obligations

The following table summarizes our long-term contractual obligations as of March 31, 2012:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations					
(a)	\$ 7,129,005	\$ -	\$ 7,129,005	\$ -	\$ -
Operating lease obligations					
(b)	\$ 23,650	\$ 23,650	\$ -	\$ -	\$ -

- (a) The principal and accrued interest on the notes payable owed to the Chairman's Senior Convertible Notes, to third parties' convertible note payable, to a major shareholder's senior note payable, and a note payable to an officer, as fully discussed in note 4 of the accompanying condensed footnotes to the financial statements.
- (b) We have an operating lease for our laboratory in Gainesville, Florida with an expiration date in 2013.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangement that have, or are reasonably likely to have, a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on our management's evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), our Chief Executive Officer and our Chief Financial Officer have concluded that as of March 31, 2012, the end of the period covered by this Quarterly Report on Form 10-Q, such disclosure controls and procedures are effective at a reasonable level.

Changes in Internal Controls over Financial Reporting

As of the end of our quarter ended March 31, 2012, there was no change in the our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Item 1A is not required to be disclosed by smaller reporting issuers such as the Company.

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

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information.

None

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	Merger Agreement dated March 19, 2001 between Above Average Investments Ltd. and Quick-Med Technologies, Inc. (1)
2.2	Amendment to Merger Agreement (1)
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Quick-Med Technologies, Inc.

(Registrant)

Date: May 16, 2012

By: /s/ J. Ladd Greeno

J. Ladd Greeno

Chief Executive Officer (Principal Executive Officer)

Date: May 16, 2012

By: /s/ Nam H. Nguyen

Nam H. Nguyen

Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
THE SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a) AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Ladd Greeno certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quick-Med Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16, 2012

/s/ J. Ladd Greeno
J. Ladd Greeno
Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
THE SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a)/15d-14(a) AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Nam Nguyen certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quick-Med Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16, 2012

/s/ Nam Nguyen
Nam Nguyen
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of the Quarterly Report of Quick-Med Technologies, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, J. Ladd Greeno, Chief Executive Officer and principal executive officer of the Company, hereby certify, pursuant Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the date and for the periods indicated.

Dated: May 16, 2012

/s/ J. Ladd Greeno
J. Ladd Greeno

Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of the Quarterly Report of Quick-Med Technologies, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, Nam H. Nguyen, Chief Financial Officer of the Company, hereby certify, pursuant Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the date and for the periods indicated.

Dated: May 16, 2012

/s/ Nam H. Nguyen
Nam H. Nguyen

Chief Financial Officer