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(Unaudited)

	Assets -----	February 29, 2004 -----
Current assets:		
Cash and cash equivalents		\$ 1,827,289
Receivables, net of \$81,941 allowance for doubtful accounts		202,697
Related party receivables		127,321
Inventories		711,889
Other current assets		25,919

Total current assets		2,895,115

Property and equipment, net		119,642
Patents, net		25,946

		\$ 3,040,703

Liabilities and Stockholders' Equity -----		
Current liabilities:		
Accounts payable		\$ 74,516
Accrued expenses		496,118
Current portion of deferred revenue		34,285

Total current liabilities		604,919

Long term liabilities		
Deferred revenue		20,450

Total liabilities		625,369

Stockholders' equity:		
Preferred stock, .001 par value; 10,000,000 authorized, no shares issued and outstanding		
Common stock, \$.001 par value; authorized 40,000,000 shares; issued and outstanding 19,915,232, shares		19,916
Additional paid-in capital		23,188,956
Deferred compensation		(27,808)
Accumulated deficit		(20,765,496)
Common stock in treasury 13,412 shares, at cost		(234)

Net stockholders' equity		2,415,334

		\$ 3,040,703
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BSD MEDICAL CORPORATION

Condensed Statements of Operations (Unaudited)

Periods ended February 29, 2004 and February 28, 2003

	Three Months Ended:		
	February 29 2004	February 28 2003	February 2003
Sales	\$ 218,350	212,121	\$ 412,121
Related party sales	208,192	283,740	695,861
	-----	-----	-----
Total revenues	426,542	495,861	1,107,982
	-----	-----	-----
Costs and expenses:			
Cost of product sales	206,765	56,540	315,765
Cost of related party sales	61,969	113,974	283,740
Research and development	166,733	184,806	329,733
Selling, general, and administrative	248,581	249,128	461,581
	-----	-----	-----
Total costs and expenses	684,048	604,448	1,389,767
	-----	-----	-----
Operating loss	(257,506)	(108,587)	(281,785)
Other income			
Interest income	2,500	1,055	2,500
Interest expense	(245)	-	-
	-----	-----	-----
Total other income	2,255	1,055	2,255
	-----	-----	-----
Loss before income taxes	(255,251)	(107,532)	(279,530)
Income tax benefit	-	-	-
	-----	-----	-----
Net loss	\$ (255,251)	(107,532)	\$ (279,530)
	=====	=====	=====
Net loss per common and common equivalent share, basic and diluted	\$ (.01)	(.01)	\$ (.01)
	-----	-----	-----
Weighted average number of shares outstanding, basic and diluted	18,898,000	17,777,000	19,891,000

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See accompanying notes to financial statements.

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BSD MEDICAL CORPORATION

Condensed Statements of Cash Flows (Unaudited)
Six months ended February 29, 2004 and February 28, 2003

Increase (Decrease) in Cash and Cash Equivalents -----	Feb. 29, 2004	Feb. 28 2003
Cash flows from operating activities:		
Net loss	\$ (279,389)	\$ (59,92)
Adjustments to reconcile net loss to net cash		
Used in operating activities:		
Depreciation and amortization	22,591	24,01
Bad debt expense	61,805	
Deferred gain on sale of building	-	(15,27
Stock compensation expense	12,000	11,19
Deferred compensation	7,858	6,35
(Increase) decrease in:		
Receivables	11,899	107,04
Inventories	90,584	(58,00
Prepaid expenses and deposits	17,319	(8,54
Increase (decrease) in:		
Accounts payable	(205,552)	135,59
Accrued expenses	(118,352)	(96,93
Deferred revenue	(29,385)	(48,76

Net cash provided (used) by operating activities	(408,622)	(2,43

Cash flows from investing activities:		
Purchase of property and equipment	-	(6,74

Net cash used in investing activities	-	(6,74

Cash flows provided by financing activities:		
Proceeds from issuance of common stock	2,099,908	

Net cash provided by financing activities	2,099,908	

Increase (decrease) in cash and cash equivalents	1,691,286	(9,18
Cash and cash equivalents, beginning of period	136,003	421,90

Cash and cash equivalents, end of period	\$ 1,827,289	\$ 412,71
	=====	

Supplemental Disclosure of Cash Flow Information

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- o The Company paid no cash for taxes and \$353 for interest in the period ended February 29, 2004. During the period ended February 28, 2003 the Company paid no cash for taxes and interest.
- o The Company issued 75,000 options to purchase common stock for the periods ended February 28, 2004 and 2003, which resulted in an increase to Deferred Compensation of \$8,250 and \$7,500 respectively.

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BSD MEDICAL CORPORATION Notes to Condensed Financial Statements

Note 1. Basis of Presentation

The Condensed Balance Sheet as of February 29, 2004, the Condensed Statements of Operations for the three and six months ended February 29, 2004 and February 28, 2003, and the Condensed Statements of Cash Flow for the six months ended February 29, 2004, and February 28, 2003 have been prepared by the Company without audit. In the opinion of management, all adjustments to the books and accounts (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in financial position of the Company as of February 29, 2004 have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results of operations for the period ended February 29, 2004, are not necessarily indicative of the results to be expected for the full year.

Note 2. Net Loss Per Common Share

Net loss per common share for the quarters ended February 29, 2004 and February 28, 2003, are based on the weighted average number of shares outstanding during the respective periods. Diluted earnings per share are based upon the weighted average share per common stock equivalent. When common stock equivalents are anti dilutive they are not included.

Note 3. Related Party Transactions

During the six months periods ended February 29, 2004 and February 28, 2003 the Company had sales to an unconsolidated affiliate and an entity controlled by a significant stockholder of \$695,418 and \$1,041,191, respectively. These related party transactions represent 62.78 % and 80.32 % of total sales.

At February 29, 2004, accrued expenses includes approximately \$126,428 consisting of deposits on orders placed by an unconsolidated affiliate and an entity controlled by a significant stockholder.

At February 29, 2004, accounts receivable includes approximately \$127,321 due from an unconsolidated affiliate and an entity controlled by a significant stockholder.

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Note 4. Stock-Based Compensation

The Company accounts for stock options granted to employees under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, only the intrinsic value has been recognized in the financial statements as expense. Had the Company's options been determined based on the fair value method, the results of operations would have been reduced to the pro forma amounts indicated below for the six months ended February 29, 2004 and February 28, 2003:

	Six Months Ended February 29 2004 2003		Three Months Ended February 28 2004
Net (loss) income - as reported	\$ (279,389)	\$ (59,925)	\$ (255,251)
Deduct total stock based employee compensation expense determined under fair value based method for all awards, net of related taxes	(25,000)	(63,113)	(25,000)
Net loss - pro forma	\$ (304,389)	\$ (123,038)	\$ (280,251)
Basic and Diluted income (loss) per share - as reported	\$ (.01)	\$ (.00)	\$ (.01)
Basic and Diluted income (loss) per share - pro-forma	\$ (.02)	\$ (.01)	\$ (.02)

The fair value of each option granted for the six months ended February 29, 2004 and February 28, 2003 is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2004 2003	
Expected dividend yield	\$ -	\$ -
Expected stock price volatility	114%	137%
Risk-free interest rate	4.2%	4.2%
Expected life of options	5 years	5 years

The weighted average fair value of options granted during the six months ended February 29, 2004 and February 28, 2003 were \$.64 and \$.60, respectively.

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

Critical Accounting Policies and Estimates

The following is a discussion of our critical accounting policies and estimates that management believes are material to an understanding of our results of operations and which involve the exercise of judgment or estimates by management.

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Revenue Recognition. Revenue is recognized when a valid purchase order has been received, services have been performed or product has been delivered, the selling price is fixed or determinable, and collectibility is reasonably assured. Sales include revenue from systems with software products, software license rights and service contracts. Software Revenue Recognition, generally requires revenue earned on software arrangements involving multiple elements such as software products, enhancements, post-contract customer support, installation and training to be allocated to each element based on the relative fair values of the elements. The revenue allocated to software products is generally recognized upon delivery of the products. The revenue allocated to post-contract customer support is generally recognized over the support period. Revenue for products sold is recorded when products are delivered. Revenue from long-term service contracts is recognized on a straight-line basis over the term of the contract, which approximates recognizing it as it is earned. Deferred revenue and customer deposits payable includes amounts from service contracts as well as revenue from sales of products which have not been shipped. We estimate collectibility of receivables based on numerous factors, including the credit worthiness of the customer, prior payment history, and review of public information.

Inventory Reserves. As of February 29, 2004, we had recorded a reserve for potential inventory impairment of \$140,000. We periodically review our inventory levels and usage, paying particular attention to slower-moving items. If projected sales for fiscal 2004 do not materialize or if our hyperthermia systems do not receive increased market acceptance, we may be required to increase the reserve for inventory in future periods.

Product Warranty. We provide product warranties on our BSD 500 and BSD 2000 systems. These warranties vary from contract to contract, but generally consist of parts and labor warranties for one year from the date of sale. To date, expenses resulting from such warranties have not been material. We record a warranty expense at the time of each sale. This reserve is estimated based on prior history of service expense associated with similar units sold in the past.

Allowance for Doubtful Accounts. We provide our customers with payment terms that vary from contract to contract. We perform ongoing credit evaluations of our customers and maintain allowances for possible losses which, when realized, have been within the range of management's expectations. Our allowance for doubtful accounts at February 29, 2004 was approximately \$82,000, or approximately 19.9% of the total outstanding receivables. Allowance estimates are recorded on a customer-by-customer basis and are determined based on the age of the receivable, compliance with payment terms, and prior history with existing clients. To date, actual results have not differed materially from management's estimates, however the non-payment of a receivable related to the sale of a BSD 500 or BSD 2000 could have a material adverse impact on our results of operations.

Liquidity and Capital Resources

Since inception, we have generated an accumulated deficit of \$20,765,496. We have historically financed our operations through cash from

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operations, licensing of technological assets and issuance of common stock. As of February 29, 2004, our working capital was \$2,290,196 and our cash and cash equivalents totaled \$1,827,289. We have no bank debt and no credit facility. Our contractual obligations and commercial commitments requiring capital resources include building rent of \$82,000 per year for five years adjusted annually for increases in the cost of living based on the Consumer Price Index for Urban Consumers.

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We used \$408,622 in cash from operating activities during the period ended February 29, 2004 primarily as a result of our net loss of \$279,389 and a decrease in accounts payable and accrued expenses of \$323,904, offset by a decrease in inventory of \$90,584, a decrease in prepaids and accounts receivable of \$29,218, and \$22,591 in depreciation and amortization.

On November 28, 2003, we completed the sale of an aggregate of 1,820,000 shares of our common stock to three institutional investors. The shares of common stock were sold for cash consideration of \$1.10 per share, or a total of \$2,002,000, pursuant to the terms of the Securities Purchase Agreement entered into by and among the investors and our company as of November 28, 2003. These shares were issued in a private placement transaction pursuant to Section 4(2) and Regulation D under the Securities Act of 1933, as amended. As provided in the Securities Purchase Agreement, we also agreed to cause a shelf registration statement covering the resale of these shares to be filed no later than 60 days after the closing of the private placement. We estimate that our net proceeds from the transaction, after paying a commission to our placement agent, T.R. Winston & Company, LLC, and legal other expenses related to the transaction, will be approximately \$1,836,000. We also have agreed to issue to our placement agent a three-year warrant to purchase up to 91,000 shares at an exercise price per share of \$1.80 as provided in the Securities Purchase Agreement.

On December 10, 2003 there was an additional 239,600 shares issued to the above investment group at \$1.10 per share or a total of \$263,560. We also agreed to issue to our placement agent a three-year warrant to purchase up to 11,980 shares at an exercise price of \$1.80.

Our ability to fund our cash needs and grow our business depends on our ability to generate cash flow from operations and capital from financing activities. Our operating cash flow has fluctuated significantly in the past and may continue to do so in the future. While we believe that our current working capital and anticipated cash flow from future operations will be sufficient to fund our anticipated operations for fiscal 2004, there can be no assurance that we will not require additional financing in the future or that any additional financing will be available to us on satisfactory terms, or at all.

Fluctuations in Operating Results

The Company's sales and operating results historically have varied (and will be likely to continue to vary) on a quarter-to-quarter and a year to year basis due to cyclical needs for research equipment as the sales are as yet principally limited to research centers involved in clinical trials with the BSD-2000, the relatively large per unit sales prices of the Company's products; the typical fluctuations in the mix of orders for different systems and system configurations; and other factors. For these and other reasons, the results of operations for a particular fiscal period may not be indicative of results for any other period.

Results of Operations:

Six Months ended February 29, 2004

Sales decreased from \$1,296,145 in the six months ended February 28, 2003 to \$1,107,676 in the six months ended February 29, 2004, a decrease of \$188,469 or 14.54%, primarily due to decreased sales to the Company's unconsolidated subsidiary, TherMatrix. We derived \$88,620, or 8% of our total sales in the period ended February 29, 2004 as compared to \$553,943 or 42.73% of total sales in the period ending February 28, 2003, from manufacturing, assembling and testing thermotherapy systems, selling probes, applicators and temperature sensors and other components and contract services to TherMatrix. The remaining related party revenue of approximately \$606,798, or 54.78 % of total sales was for a BSD-2000 system and component parts sold to Medizin-Technik GmbH. Dr. Gerhard Sennewald, one of our directors, is a stockholder, executive officer and a director of Medizin-Technik GmbH. The remaining revenue of \$412,258 was for non-related party sales, which included sales of 2 BSD-500 systems for \$341,300, \$43,230 for service contracts, and \$27,728 for miscellaneous items.

Gross profit for the six months ended February 29, 2004 was \$508,812 or 45.93% as compared to \$776,474 or 59.9% of total sales for the period ending February 28, 2003. The decrease in gross profit as a percentage of total product sales was primarily due to an adjustment to inventory to reflect the lower of cost or market which resulted in an increase in cost of sales of approximately \$48,000 and because the Company had excess capacity of production employees due to the decrease in sales. In addition, the Company had sales of higher margin hyperthermia system products - accompanied by production efficiencies obtained from a higher volume of hyperthermia system sales in the period ending February 28, 2003.

Selling, General and Administrative expenses were \$461,161 for the six months ended February 29, 2004, as compared to \$498,119 in the six months ended February 28, 2003, a decrease of \$36,958 or 7.41%, primarily due to decreases in legal and consulting expense increase of approximately \$88,000, offset by an increase in warranty costs of approximately \$17,200 that was associated with a European sale, charges to bad debt expense of \$14,577 and small increases in employee benefits and insurance. In the six months ended February 28, 2003, the Company paid significant legal fees associated with the filing of its fiscal 2003 Form 10KSB and compliance with the Sarbanes Oxley Act. Such costs were not repeated in the six months ended February 29, 2004. Total costs and expenses increased by \$31,058, an increase of 2.28%, primarily due an increase in cost of goods sold as a result of the aforementioned adjustment to inventory offset by decreases in selling, general and administrative and research and development.

Research and Development expenses were \$329,290 for the six months ended February 28, 2004, as compared to \$340,465 in the six months ended February 28, 2003. Research and Development expenses in the period ending February 28, 2004 related primarily to development work on our BSD-2000o3D/MR hyperthermia system and enhancements to our BSD-500 systems.

Net Loss for the period ending February 28, 2004 was \$279,389 compared to \$59,925 for the February 28, 2003 period. The increase in net loss was primarily due to decreased sales volume and higher cost of goods sold.

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Three Months ended February 29, 2004

Sales decreased to \$426,542 in the three months ended February 28, 2004, as compared to \$495,861 in the three months ended February 28, 2003, a decrease of \$69,319 or 13.98%, primarily due to decreased sales to Thermatrx, the Company's unconsolidated subsidiary. During the three-month period ending February 29, 2004, we derived \$68,028 or 15.94% of total sales from Thermatrx as compared to \$204,113, or 41.16% of our sales in the period ended February 28, 2003. The sales to Thermatrx include manufacturing, assembling and testing thermotherapy systems, probes, applicators, temperature sensors and other components. The remaining related party revenue of approximately \$140,180, or 32.86% of total sales was for component parts sold to Medizin-Technik GmbH. Dr. Gerhard Sennewald, one of our directors, is a stockholder, executive officer and a director of Medizin-Technik GmbH. The remaining revenue was \$16,508 for service contracts, \$198,000 for the sale of 1 BSD -500 system and \$3,842 for miscellaneous items.

Gross profit for the period ending February 29, 2004 was \$157,808 or 36.99% as compared to \$325,347 or 65.61% of total product sales for the period ending February 28, 2003. The decrease in gross profit as a percentage of total product sales was primarily due to an adjustment to inventory to reflect the lower of cost or market which resulted to an increase in cost of sales of approximately \$48,000 and because the Company had excess capacity of production employees due to the decrease in sales. In addition, the Company had sales of higher margin hyperthermia system products for the period ending February 28, 2003 accompanied by production efficiencies obtained from a higher volume of hyperthermia system sales.

Selling, General and Administrative expenses was \$248,581 in the three months ended February 29, 2004, as compared to \$249,128 in the three months ended February 28, 2003 an decrease of \$547 or .22%, primarily due to decreases in legal and consulting expense offset by increases in bad debt expense of \$14,570, warranty costs of \$17,221 and small increases in employee benefits and insurance. Total costs and expenses increased by \$79,600, an increase of 13.17%, primarily due to an increase in cost of goods sold partially offset by the aforementioned increase in selling, general and administrative and research and development partially offset by a slight decrease in research and development.

Research and Development expenses were \$166,733 for the three months ended February 29, 2004, as compared to \$184,806 in the three months ended February 28, 2003. Research and Development expenses in the period ending February 28, 2003 related primarily to development work on our BSD-2000o3D/MR hyperthermia system and enhancements to our BSD-500 systems.

The Net Loss for the three months ending February 29, 2004, was \$255,251 as compared with a Net Loss of \$107,532 for the three months ending February 28, 2003.

FORWARD OUTLOOK AND RISKS. From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological development, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in any of the Company's forward-looking statements.

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This form 10-QSB contains and incorporates by reference certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of operations and businesses of the Company. All statements, other than statements of historical facts, included in this Form 10-QSB, including those regarding market trends, the Company's financial position, business strategy, projected costs and plans, and objectives of management for future operations, are forward-looking statements. These forward-looking statements are based on the Company's current expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

CHANGING REGULATORY ENVIRONMENT. The Company's business is subject to extensive federal, state and local regulation. Political, economic and regulatory influences are subjecting the health care industry in the United States to fundamental change. See "Government Regulation" in the Company's fiscal 1998 10-KSB.

Item 3. Controls and Procedures

a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of February 29, 2004. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be included in our Securities and Exchange Commission ("SEC") reports is properly recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to BSD Medical, Inc.

(b) Changes in internal controls over financial reporting.

In addition, there were no significant changes in our internal controls that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above. We have not identified any significant deficiency or material weaknesses in our internal controls, and therefore there were no corrective actions taken..

PART 2. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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Item 6. Exhibits and reports on Form 8-K

(a) Exhibits

The following exhibit is filed as part of this report:

Exhibit Number	SEC Reference Number	Title of Document
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31.01	31	Certification of Chief Executive Officer Pursuant to Rule 13a-14	Thi
31.02	31	Certification of Chief Financial Officer Pursuant to Rule 13a-14	Thi
32.01	32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)	Thi
32.02	32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)	Thi

b) Reports on Form 8-K

The Company filed an 8-K on December 10, 2003 to report the completed sale of 239,600 of its commons stock to three institutional investors pursuant to the Securities Purchase Agreement dated November 28, 2003 which was filed with BSD's annual report filed on December 1, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, BSD Medical Corporation, the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BSD MEDICAL CORPORATION

Date: April 14, 2004

/s/ Hyrum A. Mead

President