



Securities registered pursuant to Section 12 (g) of the Act:

Common Stock Without Par Value

(Title of class)

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 report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Class      Outstanding at March 31, 2012

Common                      4,772,318

**FORWARD-LOOKING STATEMENTS**

*This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate” or “believe” or similar expressions or the negatives thereof. These expectations are based on management’s assumptions and current beliefs based on currently available information. Although the Company believes that the expectations reflected in such statements are reasonable, it can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q and the Company does not have any obligation to update the forward looking statements. The Company’s operations are subject to a number of uncertainties, risks and other influences, many of which are outside its control, and any one of which, or a combination of which, could cause its actual results of operations to differ materially from the forward-looking statements.*

HYDROMER, INC.

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**Part I – Financial Information****Item # 1****HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | March 31,<br><b>2012</b> |    | June 30,<br>2011 |
|---|--------------------------|----|------------------|
|   | UNAUDITED                |    |                  |
| Assets  |                          |    |                  |
| Current Assets:   |                          |    |                  |
| Cash and cash equivalents \$  | <b>517,359.</b>          | \$ | 502,597.         |
| Short-term investments  | <b>-.</b>                |    | 50,000.          |
| Trade receivables less allowance for doubtful accounts of \$49,073 and \$5,622 as of March 31, 2012 and June 30, 2011, respectively | <b>805,457.</b>          |    | 774,753.         |
| Inventory   | <b>246,638.</b>          |    | 444,604.         |
| Prepaid expenses  | <b>206,595.</b>          |    | 209,241.         |
| Deferred tax asset  | <b>122,100.</b>          |    | 122,100.         |
| Other   | <b>12,317.</b>           |    | 13,547.          |
| Total Current Assets  | <b>1,910,466.</b>        |    | 2,116,842.       |
| Property and equipment, net   | <b>2,725,665.</b>        |    | 2,863,912.       |
| Deferred tax asset, non-current   | <b>1,290,531.</b>        |    | 1,196,704.       |
| Intangible assets, net  | <b>777,736.</b>          |    | 820,231.         |
| Total Assets  | <b>\$ 6,704,398.</b>     | \$ | 6,997,689.       |
| Liabilities and Stockholders' Equity  |                          |    |                  |
| Current Liabilities:  |                          |    |                  |
| Accounts payable \$   | <b>398,596.</b>          | \$ | 387,094.         |
| Accrued expenses  | <b>341,970.</b>          |    | 313,626.         |
| Current portion of capital lease  | <b>12,197.</b>           |    | 18,687.          |
| Current portion of deferred revenue   | <b>71,625.</b>           |    | 149,108.         |
| Current portion of mortgage payable   | <b>54,956..</b>          |    | 51,720.          |
| Total Current Liabilities   | <b>879,344.</b>          |    | 920,235.         |

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|  |                    |             |
|--|--------------------|-------------|
| Deferred tax liability   | <b>294,012.</b>    | 294,012.    |
| Long-term portion of capital lease   | <b>9,813.</b>      | 15,398.     |
| Long-term portion of deferred revenue  | <b>86,632.</b>     | 120,940.    |
| Long-term portion of mortgage payable  | <b>2,670,882.</b>  | 2,714,817.  |
| Total Liabilities  | <b>3,940,683.</b>  | 4,065,402.  |
|  |                    |             |
| Stockholders' Equity   |                    |             |
| Preferred stock – no par value, authorized 1,000,000 shares, no shares   | -                  | -           |
| . issued and outstanding   |                    |             |
| Common stock – no par value, authorized 15,000,000 shares; 4,783,235 shares issued and 4,772,318 shares outstanding as of March 31, 2012 and June 30, 2011 | <b>3,721,815.</b>  | 3,721,815.  |
| Contributed capital  | <b>633,150.</b>    | 633,150.    |
| Accumulated deficit  | <b>(1,585,110)</b> | (1,416,538) |
| Treasury stock, 10,917 common shares at cost   | (6,140)            | (6,140)     |
| Total Stockholders' Equity   | <b>2,763,715.</b>  | 2,932,287.  |
| Total Liabilities and Stockholders' Equity   | <b>6,704,398.</b>  | 6,997,689.  |

See accompanying notes.

**HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

|                                 | Three months Ended |               | Nine months Ended    |               |
|---------------------------------|--------------------|---------------|----------------------|---------------|
|                                 | March 31,          |               | March 31,            |               |
|                                 | 2012               | 2011          | 2012                 | 2011          |
| Revenues                        |                    |               |                      |               |
| Sale of products                | \$ <b>978,612.</b> | \$ 1,070,400. | \$ <b>2,479,851.</b> | \$ 2,281,134. |
| Service revenues                | <b>317,325.</b>    | 274,326.      | <b>1,038,972.</b>    | 1,044,715.    |
| Royalties and contract revenues | <b>285,704.</b>    | 206,316.      | <b>904,123.</b>      | 687,210.      |
| Total Revenues                  | <b>1,581,641.</b>  | 1,551,042.    | <b>4,422,946.</b>    | 4,013,059.    |
| Expenses                        |                    |               |                      |               |
| Cost of sales                   | <b>472,783.</b>    | 483,068.      | <b>1,310,914.</b>    | 1,231,650.    |
| Operating expenses              | <b>1,075,362.</b>  | 1,101,305.    | <b>3,218,243.</b>    | 3,378,516.    |
| Other expenses                  | <b>46,948.</b>     | 58,961.       | <b>153,188.</b>      | 157,523.      |
| Benefit from income taxes       | <b>(6,155)</b>     | (34,424)      | <b>(90,827)</b>      | (243,856)     |
| Total Expenses                  | <b>1,588,938.</b>  | 1,608,910.    | <b>4,591,518.</b>    | 4,523,833.    |
| Net Loss                        | \$ <b>(7,297)</b>  | \$ (57,868)   | \$ <b>(168,572)</b>  | \$ (510,774)  |
| Loss Per Common Share           | \$ <b>(0.00)</b>   | \$ (0.01)     | \$ (0.04)            | \$ (0.11)     |

Weighted Average Number of  
Common Shares Outstanding

|   |                  |           |                  |           |
|---|------------------|-----------|------------------|-----------|
| Common Shares Outstanding assuming dilution | <b>4,772,318</b> | 4,772,318 | <b>4,772,318</b> | 4,772,318 |
|   |                  |           | 4,772,986        | 4,772,986 |

See accompanying notes.

There was no impact to earnings per share from dilutive securities

as the resultant would have been anti-dilutive.



**HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

|  | Nine months Ended |             |
|--|-------------------|-------------|
|  | March 31,<br>2012 | 2011        |
| Cash Flows From Operating Activities:  |                   |             |
| Net Loss   | \$(168,572)       | \$(510,774) |
| Adjustments to reconcile net loss to net cash Provided by (used in) operating activities |                   |             |
| Depreciation and amortization  | <b>321,381.</b>   | 303,122.    |
| Deferred income taxes  | (93,827)          | (243,856)   |
| Changes in Assets and Liabilities:   |                   |             |
| Trade receivables  | <b>(30,704)</b>   | 210,790.    |
| Inventory  | <b>197,966.</b>   | (53,416)    |
| Prepaid expenses   | <b>11,334.</b>    | 600.        |
| Other assets   | <b>1,230.</b>     | 6,400.      |
| Accounts payable and accrued liabilities   | <b>42,847.</b>    | 71,591.     |
| Deferred income  | <b>(111,791)</b>  | 94,864.     |
| Income taxes payable   | <b>(3,000)</b>    | (2,080)     |
| Net Cash (Used in) Operating Activities  | <b>166,864.</b>   | (122,759)   |
| Cash Flows From Investing Activities:  |                   |             |
| Cash purchases of property and equipment   | (39,037)          | (110,254)   |
| Cash payments on patents and trademarks  | (122,366)         | (140,010)   |
| Redemption of matured short-term investments   | <b>50,000.</b>    | 440,000.    |
| Net Cash (Used in) Provided by Investing Activities                                      | (111,403)         | 189,736.    |
| Cash Flows From Financing Activities:  |                   |             |
| Repayment of long-term borrowings  | (40,699)          | (38,526)    |
|  | (40,699)          | (38,526)    |
| Net Cash (Used in) Financing Activities  |                   |             |
| Net Increase in Cash and Cash Equivalents:   | <b>14,762.</b>    | 28,451.     |
| Cash and Cash Equivalents at Beginning of Period   | <b>502,597.</b>   | 843,610.    |
| Cash and Cash Equivalents at End of Period   | <b>\$517,359.</b> | \$872,061.  |

See accompanying notes.

## HYDROMER, INC. and CONSOLIDATED SUBSIDIARY

### Notes to Condensed Consolidated Financial Statements

#### Basis of Presentation:

In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments (consisting of only normal adjustments) necessary for a fair presentation of the results for the interim periods. These condensed financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. The condensed financial statements should be read in conjunction with the consolidated financial statements and other information contained in our Annual Report on Form 10-K for the year ended June 30, 2011. Certain reclassifications have been made to the previous year's results to present comparable financial statements.

#### Fair Value:

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature, such as cash and cash equivalents, receivables and payables. The carrying amount of the Company's note obligation approximates its fair value, as the terms of the note are consistent with terms available in the market for instruments with similar risk.

In accordance with FASB ASC 820, "Fair Value Measurements and Disclosures", the following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2011. There were no reportable financial assets or liabilities as of March 31, 2012.

| as of June 30, 2011    | Level 1          | Level 2 | Level 3 | Total            |
|------------------------|------------------|---------|---------|------------------|
| Assets                 |                  |         |         |                  |
| Short-Term Investments | \$ <u>50,000</u> |         |         | \$ <u>50,000</u> |
| Total Assets           | \$ <u>50,000</u> | -       | -       | \$ <u>50,000</u> |
| Liabilities - n/a      |                  |         |         |                  |
|                        | -                | -       | -       | -                |

Long-Term Debt:

As reported in the December 31, 2011 SEC Form 10-Q as a Subsequent Event, on February 21, 2012, the Company was granted a waiver on mortgage covenants not met as of December 31, 2011. The next covenant measurement date is June 30, 2012. Although a waiver was granted by the lender, there is no certainty that future waivers would be granted.

Segment Reporting:

The Company operates two primary business segments. The Company evaluates the segments by revenues, total expenses and earnings before taxes. Corporate Overhead (primarily the salaries and benefits of senior management, support services (Accounting, Legal, Human Resources and Purchasing) and other shared services (building maintenance and warehousing)) are excluded from the business segments as to not distort the contribution of each segment. These segments are the lowest levels for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The results for the nine months ended March 31, by segment are:

|                       |                           |                               |                                    |
|-----------------------|---------------------------|-------------------------------|------------------------------------|
| 2012                  |                           |                               |                                    |
| Revenues              | \$ 3,385,796 <sub>±</sub> | \$ 1,037,150 <sub>±</sub>     | \$ 4,422,946 <sub>±</sub>          |
| Expenses              | (2,648,039)               | (851,299)                     | \$ (1,183,007) (4,682,345)         |
| Pre-tax Income (Loss) | <u>\$ 737,757.</u>        | <u>\$ 185,851<sub>±</sub></u> | <u>\$ (1,183,007) \$ (259,399)</u> |

|                       |                           |                               |                                    |
|-----------------------|---------------------------|-------------------------------|------------------------------------|
| 2011                  |                           |                               |                                    |
| Revenues              | \$ 3,027,098 <sub>±</sub> | \$ 985,961 <sub>±</sub>       | \$ 4,013,059 <sub>±</sub>          |
| Expenses              | (2,668,485)               | (878,866)                     | \$ (1,220,338) (4,767,689)         |
| Pre-tax Income (Loss) | <u>\$ 358,613.</u>        | <u>\$ 107,095<sub>±</sub></u> | <u>\$ (1,220,338) \$ (754,630)</u> |

Geographic revenues were as follows for the nine months ended March 31,

|          |      |      |
|----------|------|------|
|          | 2012 | 2011 |
| Domestic | 64%  | 59%  |
| Foreign  | 36%  | 41%  |

**Item #2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Results of Operations

The Company's revenues for the quarter ended March 31, 2012 were \$1,581,641, \$30,599 or 2.0% higher than the \$1,551,042 for the same period the previous year. For the nine month period ended March 31, revenues were \$4,422,946 during the current fiscal year, as compared with \$4,013,059 the year before or \$409,887 better (10.2%). Revenues are comprised of the sale of Products and Services and Royalty and Contract payments.

Product sales were \$978,612 for the quarter ended March 31, 2012 as compared to \$1,070,400 for the same period the year before, a \$91,788 (8.6%) decrease. Revenues for the quarter ended March 31, 2011 included stronger sales in Europe from our T-HEXX Animal Health launch of our Dragonhyde® Hoof Bath Concentrate. For the nine month period, product sales were \$2,479,851 for the 2012 year as compared with \$2,281,134 for the 2011 year, higher by \$198,717 (8.7%), due to increased demand in the T-HEXX Animal Health line.

Services revenues, comprising of contract coating services, for the three months ended March 31, 2012 were \$317,325 or \$42,999 better (15.7%) than the \$274,326 the corresponding period the year before. Timing delays reduced the service revenues for the prior year period. For the nine month periods ended March 31, 2012 and 2011, services revenues were \$1,038,972 and \$1,044,715, respectively, or \$5,743 lower (0.5%). Revenues from new agreements/customers this fiscal year offset the customers transitioning to customers of our medical chemical polymer (product sales) or customers no longer in the market.

Classified as Royalty and Contract revenues are royalties received and the periodic recurring payments from license, stand still and other agreements other than for product and services. Also included in Royalty and Contract revenues are revenues from support and supply agreements which avails our customers continued technical support and/or guaranteed access to our proprietary coatings and may include the transfer of technical know-how (coatings procedures). Some of the royalties and support fees are based on the net sales of the final item (to which the Hydromer technology is applied) and are subject to the reporting of our customers. For the nine months ended March 31, 2012, Royalty and Contract revenues were \$904,123, compared to \$687,210 the same period a year ago, an increase of

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\$216,913 (31.6%). In this year's results was \$120,000 in new technology know-how transfers plus new payments coming online arising from agreements the year(s) prior.

Total Expenses for the quarter ended March 31, 2012 were \$1,588,938 as compared with \$1,608,910 the year before, a 1.2% decrease. For the nine months ended March 31, 2012, Total Expenses were \$4,591,518 as compared with \$4,523,833 the previous year, higher by 1.5%.

For the quarter ended March 31, 2012, the Company's Cost of Goods Sold was \$472,783 as compared with \$483,068 the year prior, lower by \$10,285 or 2.1%. Despite 8.6% in lower product sales this quarter, a change in product mix plus lower pricing resulted in only a 2.1% lower Cost of Sales. For the nine month period ended March 31, 2012, Cost of Goods Sold was \$1,310,914 as compared with \$1,231,650 the same period a year ago. The \$79,264 increase (6.4%) was due to higher product sales offset by lower manufacturing labor costs.

Operating expenses were \$1,075,362 for the quarter ended March 31, 2012 as compared with \$1,101,305 the year before, lower by \$25,943 or 2.4%, due to lower Sales & Marketing expenditures this year (tradeshows, travel, advertising). For the nine months ended March 31, 2012, Operating expenses were \$3,218,243 or \$160,273 lower (4.7%) than the previous year's \$3,378,516. In addition to lower Sales & Marketing expenditures, lower staffing levels and utilities usage attributed to the improvement

Interest expense, foreign currency exchange gains/losses, interest income and other income are included in Other Expenses. Interest expense (primarily mortgage interest) for the nine months ended March 31, 2012 and March 31, 2011 were \$146,326 and \$149,037, respectively.

A net loss of \$7,297 (\$0.00 per share) is reported for the quarter ended March 31, 2012 as compared to a net loss of \$57,868 (\$0.01 per share) the year before. A net loss of \$168,572 (\$0.04 per share) is reported for the nine months ended March 31, 2012 as compared to a net loss of \$510,774 (\$0.11 per share) the year before.

Revenue growth of \$409,887 (primarily from our T-HEXX Animal Health division and from the Royalties and contract revenues line) and reduced Operating Expenses (lower staffing, reduced sales and marketing expenses as well as lower utilities costs) offset by \$79,264 in higher Cost of Sales and a reduced Income Tax Benefit of \$153,029 resulted in the \$342,202 improvement to the bottom line. Management expects this continued course of revenue growth with only minimal expense changes to be the trend.

For the nine months ended March 31, 2012, EBITDA of \$58,982 is reported, compared with -\$451,508 for the nine months ended March 31, 2011; the difference attributed to the revenue growth and lower Operating Expenses.

Financial Condition

Working capital decreased \$165,485 during the nine months ended March 31, 2012.

For the nine months ended March 31, 2012, operating activities provided \$166,864 in net cash.

For the nine months ended March 31, 2012, cash provided by Operations (net loss as adjusted for non-cash expenses) was \$58,982 with the net change in operating assets and liabilities providing an additional \$107,882, primarily from the reduction of inventory levels previously built up from volume purchases.

Investing activities used \$111,403 in cash and financing activities used an additional \$40,699 during the nine months ended March 31, 2012.

Investing activities for the nine months ended March 31, 2012 included \$39,037 for capital expenditures, \$122,366 towards the Company's patent estate and the redemption of matured short-term investments of \$50,000. Capital expenditures were lower this fiscal year-to-date than as compared with the corresponding period a year ago as the previous year included new production equipment for the growing T-HEXX division, including for new products. Reported under Financing activities was the repayment of the principal portion of the mortgage.

The Company has made significant inroads towards a return to profitability since the cancellation and subsequent replacement of a significant supply & support agreement which impacted both revenues and cash by \$780,000 annually and the sale of various medical device product lines in 2009. The Company has previously overcome the lost profit contributions from the sales of product lines. With continued revenue growth and expenditure control, we expect profitability to be near-term as we previously reported.

**Item # 4**

Disclosure Controls and Procedures

As of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and President and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, our disclosure controls and procedures were effective and that there were no changes to our Company's internal control over financial reporting that have materially affected, or reasonably likely to materially affect the Company's internal control over financial reporting during the period covered by the Company's quarterly report.

**PART II – Other Information**

The Company operates entirely from its sole location at 35 Industrial Parkway in Branchburg, New Jersey, an owned facility secured by a mortgage through a bank.

The existing facility will be adequate for the Company's operations for the foreseeable future.

**Item # 6**

Exhibits

Exhibit No. Description

31.1 Rule 13a-14(a) Certification of Chief Executive Officer and President

31.2 Rule 13a-14(a) Certification of Vice President of Finance and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chairman, President

32.2 Section 1350 Certification of Chief Financial Officer and Vice President of Finance

**SIGNATURES**

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

HYDROMER, INC.

By: /s/ Robert Y. Lee, VP

Robert Y. Lee

Principal Accounting Officer & Chief Financial Officer

DATE: May 15, 2012



