

HEALTHNOSTICS, INC.
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2012
(UNAUDITED)

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HEALTHNOSTICS, INC.
CONSOLIDATED BALANCE SHEETS
FOR THE THREE MONTHS ENDING
SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)

	9/30/13	Restated 9/30/12
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,124	\$ 1,744
Accounts receivable	69,387	76,744
Other Current Assets	100,000	-
Total Current Assets	173,511	78,488
Other Assets	199,132	162,555
Intangible Assets	75,000	75,000
	274,132	237,555
TOTAL ASSETS	\$ 447,643	\$ 316,043
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 6,653	\$ 18,478
Accrued expenses	\$ 98,191	\$ 66,649
Deferred revenue	\$ 12,334	\$ -
Notes payable, current portion	152,000	125,000
TOTAL CURRENT LIABILITIES	256,844	210,127
TOTAL LONG TERM LIABILITIES		
Notes payable	21,000	21,000
TOTAL LIABILITIES	277,844	231,127
SHAREHOLDERS' EQUITY/(DEFICIT)		
Preferred Stock, \$0.0001 par value 10,000,000 authorized preferred shares	-	-
Class A common stock, \$0.00001 par value; 30,000,000,000 authorized, 10,801,271,706 shares issued and outstanding at September 30, 2013 and 1,271,706 shares after a 1500 to 1 reverse split, effective July 31, 2013, and	298,656	190,656
Class B common stock, \$0.0001 par value, 25,000,000 authorized and 21,000,000 shares issued at September 30, 2013 and September 30, 2012	2,100	2,100
Additional paid in capital	1,934,695	1,934,695
Accumulated Deficit	(2,065,651)	(2,042,534)
TOTAL SHAREHOLDERS' EQUITY/(DEFICIT)	169,800	84,917
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 447,643	\$ 316,043

The accompanying notes are an integral part of these financial statements

HEALTHNOSTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended	
	09/30/13	9/30/2012 (restated)
REVENUE	\$ 49,881	\$ 32,013
OTHER INCOME	-	-
GROSS PROFIT	49,881	32,013
OPERATIONS	17,599	7,564
GENERAL & ADMINSTRATIVE	18,720	20,604
SALES & MARKETING	255	176
TOTAL OPERATING EXPENSES	36,574	28,344
INCOME/(LOSS) FROM OPERATIONS BEFORE OTHER EXPENSES	13,307	3,669
OTHER EXPENSES		
Interest expense	(14,223)	(3,829)
NET INCOMR BEFORE EXTRAORDINARY GAIN (LOSS)		
Extraordinary gain		3,682
Discontinued operations (loss)	-	(212,500)
	(916)	(208,818)
NET INCOME/(LOSS)	\$ (916)	\$ (208,818)

The accompanying notes are an integral part of these financial statements

HEALTHNOSTICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended 09/30/13	For the Year Ended 12/31/12
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income/(Loss)	\$ (916)	\$ (2,116,310)
Adjustment to reconcile net income (loss) to net cash used in operating activities	6,126	5,572
Depreciation	-	
(Increase) Decrease in:		
Accounts Receivable	17,354	331,759
Other Current Assets	100,000	4,330
Intangible Assets	-	1,670,000
Increase (Decrease) in:		
Accounts Payable	(11,825)	2,911
Accrued expenses	30,975	12,499
Deferred revenue	(12,334)	-
NET CASH PROVIDED/(USED) IN OPERATING ACTIVITIES	129,380	(89,239)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	-
NET CASH (USED) IN FINANCING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in debenture payable, net	8,000	
Proceeds from notes payable, net	(35,000)	7,043
Stock Issued for cash	-	80,400
Stock Issued for added operation	(66,666)	
Stock Issued to Officer	(33,334)	-
NET CASH PROVIDED/(USED) IN FINANCING ACTIVITIES	(127,000)	87,443
NET INCREASE/(DECREASE) IN CASH	2,380	(1,796)
CASH, BEGINNING OF PERIOD	1,744	3,013
CASH, END OF PERIOD	\$ 4,124	\$ 1,217
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

HEALTHNOSTICS, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

1. ORGANIZATION AND LINE OF BUSINESS

Organization

Healthnostics, Inc., was originally organized on July 3, 1996, as a Delaware corporation under the name IHS of Virginia, Inc. The Company was acquired on December 29, 2000 by Ultraque, LLC, a Delaware limited liability company, owned by our Chairman and Chief Financial Officer. On August 28, 2001, Ultraque, LLC was merged into the Company and the Company's name was changed to Healthnostics, Inc., pursuant to a shareholder approval authorizing a name change. Healthnostics, Inc., now operates as a management and development company focused upon healthcare technology and information. The Company's business is developing collaborative business partners providing financing, marketing exposure, management consulting, operational support and strategic advice.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. Management believes the existing shareholders and the prospective new investors will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Healthnostics, Inc. are presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Principles of Consolidation

The accompanying unaudited consolidated financial statements of the Company include the accounts of its subsidiaries. In the opinion of management all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial statements for the years herein have been made.

Accounts receivable

The Company does not have any uncollectible accounts and there were no doubtful accounts for the three months ended September 30, 2013 and September 30, 2012 respectively.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred, the fee is determinable, collectability is reasonably assured and there are no significant remaining performance obligations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

HEALTHNOSTICS, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost, and are depreciated using the straight line and modified accelerated cost recovery system (macrs) method over 3-10 years.

Intangible Assets

Valuation of intangible assets include significant estimates and assumptions such as estimating future cash flows from sales, developing appropriate discount rates, estimating probability rates for successful completing of projects, continuation of customer relationships and renewal of customer contracts, and approximating the useful life of the intangible assets acquired.

Fair Value of Financial Instruments

As of September 30, 2013 and September 30, 2012 respectively, the amounts reported for cash, accounts receivable, accounts payable, accrued interest and other expenses, and notes payable approximate the fair value because of their short maturities.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence is not expected to be realized.

Recently Issued Accounting Pronouncements

The company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position or statements.

3. CAPITAL STOCK

At September 30, 2013, the Company's authorized stock consists of 30,000,000,000 shares of Class A common stock, par value \$0.00001 per share after amending its Certificate of Incorporation to adjust for the changes in August, 2013, 25,000,000 shares of Class B common stock, par value of \$.0001 and 10,000,000 shares of preferred stock, par value of \$0.0001. At September 30, 2013, the Company had 10,801,271,706 shares of Class A common stock (having given effect to the 1500 to 1 reverse split on July 31, 2013 in regard to 1,271,706 of the Class A Common Stock) and 21,000,000 shares of Class B common stock issued and outstanding. Class A common stock has voting rights of one vote per share and Class B common stock has voting rights consisting of one hundred (100) votes per share and conversion rights into one share of Class A common stock. There are no preferred shares issued and may be issued in series with its voting powers determined by the board of directors, along with designation, powers, preferences and rights of the shares of each series and the qualifications, limitations and restrictions.

During the year ended December 31, 2011, the Company issued 676,294,300 shares of its Class A common stock as follows: 426,294,300 shares for partial conversion of convertible notes and 200,000,000 shares of common stock in connection with certain asset acquisitions. (The Class A common shares are not adjusted herein per the 1500 to 1 reverse

HEALTHNOSTICS, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

3. CAPITAL STOCK (continued)

split). The Company also issued 15,000,000 shares of its Class B common stock to its Chairman in connection with his payment waiver of a \$250,000 note past due, plus accrued interest. 6,000,000 shares of the Company's Class B common stock was issued to the Company's Chairman in February 2009 in lieu of cash compensation.

During the year ended December 31, 2012, the Company issued 695,380,333 shares of common stock as follows: 396,799,526 shares for partial conversion of convertible notes and 298,480,797 shares for cash. (The Class A common shares are not adjusted herein per the 1500 to 1 reverse split.)

During the three months ended September 30, 2013, the Company issued 10,8000,000 shares of its Class A Common Stock as follows: 3,333,333,334 to its President as compensation (see "Related Party Transactions"); 6,666,666,666 shares in conjunction with costs associated with the acquisition of MedBioWeb Corp., and 800,000,000 shares in exchange for \$8,000 in debt conversion.

4. NOTES PAYABLE

At September 30, 2013 and September 30, 2012 the Company had outstanding promissory notes totaling \$173,00 and \$128,528, respectively. The outstanding notes payable consisted of:

On February 16, 2008, the Company aggregated several cash advances from a debt holder totaling \$75,000 into a promissory note at eight per cent (8%) per annum. This note was paid in full under conversion terms in February 2012.

On November 15, 2010 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$36,000 based upon cash received in various cash advances from October 2008 through November 15, 2010 from James Yeung.

On October 31, 2010 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$24,500 in cash received in October 2010 from Acquest Capital Group, Inc.

On November 30, 2010 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$25,000 in cash received in November 2010 from Acquest Capital Group, Inc. This note was partially reduced in August 2013 by \$8,000 under a note conversion agreement and assignment with the holder.

On December 30, 2010 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$10,000 in cash received in December 2010 from Acquest Capital Group, Inc.

On March 15, 2011 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$22,500 in cash received in February and March 2011 from Acquest Capital Group, Inc.

On April 20, 2011 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$2,000 in cash received from James Yeung.

On May 7, 2011 the Company issued a promissory note at eight percent (8%) per annum, with conversion features in the event of default, for \$5,000 in cash received from Carlton Corp.

4. NOTES PAYABLE (continued)

HEALTHNOSTICS, INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

4. NOTES PAYABLE (continued)

On May 28, 2013, the Company entered into a bridge financing arrangement, executing a promissory note with Evolution Capital Partners, LLC for \$35,000. The note called for a discount payment of \$26,250 on September 6, 2013, along with all outstanding principal. The payment date has been extended to December 31, 2013 by the holder.

5. INCOME TAXES

The Company records its federal and state income tax liability as it is incurred.

6. RELATED PARTY TRANSACTIONS

The Company issued 3,333,333,334 shares of its Class A Common Stock at par value to its President for compensation. The stock was accounted for as a prepaid expense that begins amortization over a twelve-month period beginning October 1, 2013.

There were not any related party transactions during the three months ended September 30, 2012.

7. RESTATEMENT

For the three months ended September 30, 2012, the Company expanded upon a restatement structure for aspects of its quarterly results based upon the subsequent impairment of certain assets carried from discontinued operations.