

**HEALTHNOTICS, INC.
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013
(UNAUDITED)**

CONTENTS

	<u>Page</u>
Balance Sheets September 30, 2014 and December 31, 2013	F – 2
Statement of Operations for the Three Months Ended September 30, 2014 and 2013	F – 3
Statement of Cash Flows for the Three Months Ended September 30, 2014 and the Year Ended December 31, 2013	F – 4
Notes to Financial Statements	F – 5

HEALTHNOSTICS, INC.
CONSOLIDATED BALANCE SHEETS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
(UNAUDITED)

	<u>9/30/14</u>	<u>12/31/13</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,151	\$ 989
Accounts receivable	45,770	53,731
Other current assets	<u>91,667</u>	<u>91,667</u>
Total Current Assets	<u>138,588</u>	<u>146,387</u>
Other assets	199,132	199,132
Intangible Assets	<u>75,000</u>	<u>75,000</u>
	274,132	274,132
TOTAL ASSETS	<u><u>\$ 412,720</u></u>	<u><u>\$ 420,519</u></u>
LIABILITIES AND SHAREHOLDERS EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 14,764	\$ 7,871
Accrued expenses	\$ 83,790	\$ 125,384
Deferred revenue	\$ -	\$ 6,167
Notes payable, current portion	<u>141,000</u>	<u>152,000</u>
TOTAL CURRENT LIABILITIES	<u>239,554</u>	<u>285,255</u>
LONG TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>239,554</u>	<u>285,255</u>
SHAREHOLDERS EQUITY/ (DEFICIT)		
Preferred Stock, \$0.0001 par value		
10,000,000 authorized preferred shares, 2,500 issued	25,000	-
and outstanding at September 30, 2014		
Class A Common Stock, \$0.00001 par value;		
30,000,000,000 authorized. 10,801,271,706 shares	309,656	298,656
Issued and outstanding at September 30, 2014 and December 31, 2013		
Respectively after a 1500 to 1 reverse split effective July 31, 2013 and		
Class B common Stock, \$.0001 par value, 25,000,000 authorized and	2,100	2,100
21,000,000 shares issued at September 30, 2014 and December 31, 2013	1,934,695	1,934,695
Additional paid in capital	(2,098,284)	(2,100,186)
Accumulated Deficit		
TOTAL SHAREHOLDERS EQUITY / (DEFICIT)	<u>173,167</u>	<u>135,265</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 412,720</u></u>	<u><u>\$ 420,519</u></u>

The accompanying notes are an integral part of these financial statements

HEALTHNOSTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended	
	09/30/14	09/30/13
REVENUE	\$ 21,527	\$ 49,881
OTHER INCOME	-	-
GROSS PROFIT	21,527	49,881
OPERATIONS	16,388	17,599
GENERAL & ADMINISTRATIVE	4,351	18,720
SALES & MARKETING	298	255
TOTAL OPERATING EXPENSES	21,037	36,574
INCOME/LOSS FROM OPERATIONS BEFORE OTHER EXPENSES	490	13,307
OTHER INCOME (EXPENSES)		
Interest expense	(2,467)	(14,223)
NET INCOME BEFORE EXTRAORDINARY GAIN (LOSS)		
Extraordinary gain	-	-
Discontinued operations (loss)	(1,977)	(916)
NET INCOME / (LOSS)	\$ (1,977)	\$ (916)

The accompanying notes are an integral part of these financial statements

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

	For the Three Months Ended	For the Year Ended
	9/30/14	12/31/13
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	\$ (1,977)	\$ (34,535)
Adjustment to reconcile net income (loss) to net cash used in operating activities:		(5,130)
Depreciation		
(Increase) Decrease in:		
Accounts Receivable	7,961	(8,505)
Other Current Assets	-	(87,337)
Intangible Assets	-	-
Increase (Decrease) in:		
Accounts Payable	6,893	9,127
Accrued expenses	(29,882)	46,985
Deferred revenue	6,167	6,167
NET CASH PROVIDED / (USED) IN OPERATING ACTIVITIES	(10,838)	(73,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	-
NET CASH (USED) IN FINANCING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in debenture payable, net	11,000	
Proceeds from notes payable, net	-	(27,000)
Preferred Stock Issued for cash	-	-
Stock Issued for added operation	-	66,666
Stock Issued to Officer	-	33,334
NET CASH PROVIDED / (USED) IN FINANCING ACTIVITIES	11,000	73,000
NET INCREASE/(DECREASE) IN CASH	162	(228)
CASH, BEGINNING OF PERIOD	989	1,217
CASH, END OF PERIOD	\$ 1,151	\$ 989
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Discontinued Operations write-off	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

HEALTHNOSTICS, INC.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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., 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 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, 2014 and September 30, 2013 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.

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, 2014 and September 30, 2013 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, 2014, the Company's authorized stock consist 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, 2014, the Company had 11,901,271,706 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 shares 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. At March 31, 2014 the Company had 25,000 shares of Preferred Stock issued and outstanding.

These shares have no preferential rights and may be converted into 25,000,000 shares of Class A common stock.

There are no other preferred shares issued and any future preferred shares 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, 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 year ended December 31, 2013 the company issued 10,800,000 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.

During three months ended March 31, 2014 the Company issued 1,100,000,000 shares of its Class A Common Stock in exchange for \$11,000 in debt conversion and issued 25,000 shares of Preferred Stock in exchange for \$25,000 in cash.

4. NOTES PAYABLE

At September 30, 2014 and December 31, 2013 the Company had outstanding promissory notes totaling \$141,000 and \$152,000, 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 promissory note at eight percent (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 \$19,000 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 Carlthon Corp.

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.

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.