

ORTHOMETRIX, INC.

Financial Statements

For The Period Ended June 30, 2014

ORTHOMETRIX, INC.
BALANCE SHEET
As of June 30, 2014

Assets

Cash	\$	396,088
Accounts receivable		5,374
Inventories		109,114
Prepaid expenses and other assets		12,667
Receivable from related party		200,730
Total current assets		723,973
 Property and equipment, net		 2,136
Total assets	\$	726,109

Liabilities and Stockholders' Deficit

Current liabilities:		
Accounts payable	\$	341,273
Unearned service revenue		130,675
Total current liabilities		471,948
 Other liabilities		
Notes payable - related parties		596,294
Accrued interest on notes payable - related parties		1,066,126
Deferred Compensation		1,237,435
Total other liabilities		2,899,855
 Stockholders' deficit:		
Common stock - par value \$.0005 per share, 75,000,000 shares authorized, and 53,211,864 shares issued and outstanding		26,605
Preferred stock - par value \$.0005 per share, 1,000,000 shares authorized		-
Additional paid-in capital		44,306,950
Accumulated deficit		(46,979,249)
Total stockholders' deficit		(2,645,694)
 Total Liabilities and Stockholders' Deficit	\$	 726,109

ORTHOMETRIX, INC.
STATEMENTS OF OPERATIONS

	<i>For The Six Months Ended</i>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue	\$ 987,072	\$ 351,844
Cost of revenue	268,847	98,400
Gross profit	<u>718,225</u>	<u>253,444</u>
Sales and marketing expense	124,661	78,595
General and administrative expense	<u>264,400</u>	<u>188,577</u>
Operating income (loss)	329,164	(13,728)
Interest expense	(36,805)	(36,088)
Income taxes	(1,075)	(1,025)
Interest income	<u>4,674</u>	<u>13</u>
Net income (loss)	<u>\$ 295,958</u>	<u>\$ (50,828)</u>
Weighted average shares		
Basic	<u>53,211,864</u>	<u>53,006,864</u>
Diluted	<u>55,556,369</u>	<u>53,006,864</u>
Income per share		
Basic	<u>\$ 0.0056</u>	<u>\$ (0.0010)</u>
Diluted	<u>\$ 0.0053</u>	<u>\$ (0.0010)</u>

ORTHOMETRIX, INC.
STATEMENTS OF OPERATIONS

Consolidated Statements of Operations (Unaudited)

	<i>For Three Months Ended</i>	
	<u><i>June 30, 2014</i></u>	<u><i>June 30, 2013</i></u>
Revenue	\$ 236,386	\$ 23,680
Cost of revenue	<u>77,643</u>	<u>5,788</u>
Gross profit	158,743	17,892
Sales and marketing expense	63,425	48,024
General and administrative expense	<u>133,349</u>	<u>92,882</u>
Operating (loss)/income	(38,031)	(123,014)
Interest expense	(33,072)	(17,104)
Income taxes	-	-
Interest income	<u>2,700</u>	<u>9</u>
Net income/(loss)	<u><u>\$ (68,403)</u></u>	<u><u>\$ (140,109)</u></u>
Weighted average shares		
Basic	<u>53,211,864</u>	<u>53,006,864</u>
Diluted	<u>53,211,864</u>	<u>53,006,864</u>
Income per share		
Basic	<u><u>\$ (0.0013)</u></u>	<u><u>\$ (0.0026)</u></u>
Diluted	<u><u>\$ (0.0013)</u></u>	<u><u>\$ (0.0026)</u></u>

ORTHOMETRIX, INC.
STATEMENTS OF CASH FLOWS

Consolidated Statements of Cash Flows (Unaudited)

For The Six Months Ended
June 30, 2014 *June 30, 2013*

Cash Flows From Operating Activities:

Net income (loss)	\$	295,958	\$	(50,828)
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock options and warrants issued as compensation		103		173
Depreciation expense		533		534
Changes in assets and liabilities:				
Accounts receivable		40		13,544
Inventories		(35,818)		(34,780)
Prepaid expenses and other assets		2,831		(10,125)
Receivable from related party		(64,592)		-
Accounts payable		101,945		26,287
Unearned service revenue		122,550		10,107
Accrued expenses - related parties		(125,552)		-
Accrued interest payable		36,803		36,088
Deferred compensation		110,852		109,017
Net cash provided by operating activities		445,653		100,017

Cash Flows From Financing Activities:

Notes Receivable - Related Party		(30,000)		-
Notes Payable - Related Parties		(34,644)		(100,000)
Exercise of stock options		626		-
Net cash used in financing activities		(64,018)		(100,000)

Net decrease in cash		381,635		17
Cash at beginning of year		14,453		64,347
Cash at end of the period	\$	396,088	\$	64,364

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$	1,075	\$	1,025
----------------------------	----	-------	----	-------