



**Quarterly report of**  
**MILESTONE MEDICAL, INC.**

3rd quarter (from July 1, 2013 to September 30, 2013)

***Report include:***

1. General information about Milestone Medical
2. Condensed quarterly financial statements prepared according to the accounting rules applicable to the issuer together with information on accounting rules (policy) applied to the preparation of report
3. Brief description of the most important achievements or failures of the issuer during the period of the report as well as a description of the most important factors and events, in particular atypical ones, which impact the achieved results
4. A description of the status of implementation of activities and investments of the issuer and the timetable of their implementation
5. If the issuer took initiatives to develop its activities aimed to implement innovative solutions at the enterprise during the period of the report – information on such activities
6. Description of the organisation of the group indicating consolidated entities

New York, November 14, 2013

## 1. General information

<b>THE ISSUER</b>	<b>MILESTONE MEDICAL, INC.</b> <b>(earlier: Milestone Scientific Research and Development, Inc.)</b>
<b>Registered office/Office:</b>	220 South Orange Avenue, Livingston, NJ 07039, USA
<b>Telephone number:</b>	011-973-535-2717
<b>Facsimile number:</b>	011-973-535-2829
<b>E-mail:</b>	<a href="mailto:jdagostino@milestonescientific.com">jdagostino@milestonescientific.com</a>
<b>Main website address:</b>	<a href="http://www.medicalmilestone.com">www.medicalmilestone.com</a>

Source: The Issuer

### 1.1. Shareholding structure

In below table shares issuable pursuant to options or warrants are not deemed to be outstanding for computing the ownership percentage of shareholders holding at least 5% of votes at the general meeting, because only currently outstanding shares can vote at the general meeting. For this reason applicable percentages are based only on 22,000,000 shares outstanding on the date of this quarterly report preparation, but after giving effect to the 2,000,000 shares being issued to investors in Poland. All percentages are rounded.

**Table 1 Shareholder structure with specification of shareholders holding at least 5% of votes at the general meeting**

Name of Shareholder	Number of owned shares/votes	Shareholding/votes at General Meeting of Shareholders [%]
<b>MILESTONE SCIENTIFIC, INC.</b>	10,000,000	45.45%
<b>FENG YULIN</b>	2,000,000	9.09%
<b>DONG BINGMEI</b>	2,000,000	9.09%
<b>ZHU YUN</b>	1,600,000	7.27%
<b>WANG TAO</b>	1,600,000	7.27%
<b>OTHERS (&lt;5%)</b>	4,800,000	21.83%
<b>TOTAL</b>	<b>22,000,000</b>	<b>100%</b>

Source: The Issuer

## 1.2. Board of Directors

Table 2 Board of Directors

NAME OF DIRECTOR	CURRENT AGE	DIRECTOR SINCE	END OF TERM
Leonard A. Osser	67	March 2011	Next Annual Meeting of Shareholders
Feng Yulin	48	March 2011	Next Annual Meeting of Shareholders
Zhu Yun	48	September 2013	Next Annual Meeting of Shareholders
Martin S. Siegel	69	September 2013	Next Annual Meeting of Shareholders

Source: The Issuer

## 1.3. Information on the number of persons employed by the issuer converted into FTEs

On September 30, 2013 the Issuer employed three (3) persons converted into FTEs.

## 2. Condensed quarterly financial statements prepared according to the accounting rules applicable to the issuer together with information on accounting rules (policy) applied to the preparation of report

**Milestone Medical Inc.**  
**(A Development Stage Company)**  
**Formerly known as Milestone Scientific Research & Development Inc.**

**FINANCIAL STATEMENTS**

Three and Nine months ended September 30, 2013

Year ended December 31, 2012

And from March 8, 2011 (Inception) to September 30, 2013

**Milestone Medical Inc.**  
**(A Development Stage Company)**  
**Formerly known as Milestone Scientific Research & Development Inc.**

Three and Nine months September 30, 2013, year ended December 31, 2012  
and from March 8, 2011 (Inception) to September 30, 2013

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MILESTONE MEDICAL INC.  
(A DEVELOPMENT STAGE COMPANY)  
(Formerly known as MILESTONE SCIENTIFIC RESEARCH & DEVELOPMENT INC.)  
BALANCE SHEETS

<u>ASSETS</u>	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Current Assets:		
Cash	\$ 85,399	\$ 198,049
Prepaid expenses and other current assets	205,653	-
Advances to contractors	-	18,128
Total current assets	<u>291,052</u>	<u>216,177</u>
Equipment, net of accumulated depreciation of \$4,235 as of September 30, 2013 and \$471 as of December 31, 2012	72,294	76,529
Intangible Asset-FDA	134,719	
Intangible Asset	1,500,000	1,500,000
Total assets	<u>\$ 1,998,065</u>	<u>\$ 1,792,706</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> 		
Current Liabilities:		
Accounts payable and Accrued Expense	\$ 320,723	\$ 2,157
Total current liabilities	<u>320,723</u>	<u>2,157</u>
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value \$.0001; authorized 5,000,000 shares; 0 shares issued		
Common stock, par value \$.0001; authorized 50,000,000 shares; 20,000,000 shares issued and outstanding	2,000	2,000
Additional paid-in capital	3,668,290	3,204,000
Accumulated deficit during the development stage	(1,992,948)	(1,415,451)
Total stockholders' equity	<u>1,677,342</u>	<u>1,790,549</u>
Total liabilities and stockholders' equity	<u>\$ 1,998,065</u>	<u>\$ 1,792,706</u>

See Notes to Financial Statements

MILESTONE MEDICAL INC.  
(A DEVELOPMENT STAGE COMPANY)  
(Formerly known as MILESTONE SCIENTIFIC RESEARCH & DEVELOPMENT INC.)  
STATEMENTS OF OPERATIONS

	<u>Three Months Ended</u> <u>September 30, 2013</u>	<u>Nine Months Ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>December 31, 2012</u>	<u>March 8, 2011</u> <u>(Inception) to</u> <u>September 30, 2013</u>
Revenue	\$ -	\$ -	\$ -	\$ -
Research and development expenses	50,650	276,030	916,263	1,435,090
Expenses:				
Shared Services	-	179,571	206,000	385,571
Depreciation	941	4,235	471	4,706
General and administrative expenses	97,985	117,661	49,420	167,581
Total expenses	149,576	577,497	1,172,154	1,992,948
Net loss	\$ (149,576)	\$ (577,497)	\$ (1,172,154)	\$ (1,992,948)
Net loss applicable to common stockholders	(149,576)	(577,497)	(1,172,154)	(1,992,948)

See Notes to Financial Statements

MILESTONE MEDICAL INC.  
(A DEVELOPMENT STAGE COMPANY)  
(Formerly known as MILESTONE SCIENTIFIC RESEARCH & DEVELOPMENT INC.)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
From March 8, 2011 (Inception) to September 30, 2013

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares (in thousands)	Amount			
Balance, March 8, 2011 (Inception)	-	\$ -	\$ -	\$ -	\$ -
Beijing 3H - Capital contributions received			670,000		670,000
Common stock issued to Milestone Scientific Inc on April 21, 2011 for	10,000	1,000	1,499,000		1,500,000
Net Loss	-	-	-	(243,298)	(243,298)
Balance, December 31, 2011	10,000	1,000	2,169,000	(243,298)	1,926,702
Beijing 3H - Capital contributions received	-	-	830,000	-	830,000
Common Stock issued to Beijing 3H on August 14, 2012	10,000	1,000	(1,000)		-
Contributed Capital-Milestone Scientific Inc Shared Service Expense	-	-	206,000	-	206,000
Net Loss	-	-	-	(1,172,153)	(1,172,153)
Balance, December 31, 2012	20,000	2000	3,204,000	(1,415,451)	1,790,549
Contributed Capital-Milestone Scientific Inc Shared Service Expense	-	-	179,571	-	179,571
United System Inc Investment	-	-	75,000	-	75,000
Milestone Scientific Inc Investment	-	-	75,000	-	75,000
FDA Shared Expenses	-	-	134,719	-	134,719
Net Loss	-	-	-	(577,497)	(577,497)
Balance, September 30, 2013	20,000	\$ 2,000	\$ 3,668,290	\$ (1,992,948)	\$ 1,677,342

See Notes to Financial Statements

MILESTONE MEDICAL INC.  
(A DEVELOPMENT STAGE COMPANY)  
(Formerly known as MILESTONE SCIENTIFIC RESEARCH & DEVELOPMENT INC.)  
STATEMENTS OF CASH FLOWS

	<u>Nine months ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>December 31, 2012</u>	<u>March 8, 2011</u> <u>(Inception) to</u> <u>September 30, 2013</u>
Cash flows from operating activities:			
Net loss	\$ (577,497)	\$ (1,172,153)	\$ (1,992,948)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	4,235	471	4,705
Contributed Capital - Milestone Scientific Inc Shared Services Expense	179,571	206,000	385,571
Changes in operating assets and liabilities:			
Advances to contractors	18,128	331,043	-
Decrease to prepaid expenses and other current assets	(205,653)	-	-
Increase in accounts payable and accrued expenses	318,566	2,157	320,724
Net cash used in operating activities	<u>(262,650)</u>	<u>(632,482)</u>	<u>(1,281,948)</u>
Cash flows from investing activities:			
Purchase of equipment	-	(77,000)	(77,000)
Net cash used in investing activities	<u>-</u>	<u>(77,000)</u>	<u>(77,000)</u>
Cash flows from financing activities:			
Proceeds from sale of stock (initial capital)	150,000	830,000	1,500,000
Net cash provided by financing activities	<u>150,000</u>	<u>830,000</u>	<u>1,500,000</u>
NET (DECREASE) INCREASE IN CASH	(112,650)	120,518	141,052
Cash at beginning of period	198,049	77,531	-
Cash at end of period	<u>\$ 85,399</u>	<u>\$ 198,049</u>	<u>\$ 141,052</u>
Supplemental disclosure of non cash activities:			
Contributed Capital - Milestone Scientific Inc Shared Services Expense	<u>\$ 179,571</u>	<u>\$ 206,000</u>	<u>\$ 385,571</u>
Issuance of 10,000 shares of common stock in exchange for intangible assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

See Notes to Financial Statements

**Milestone Medical Inc.**  
**(A Development Stage Company)**  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - ORGANIZATION:**

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In March 2011, Milestone Scientific Inc entered into an agreement with Beijing 3H Scientific Technology Co, Ltd (“ Beijing 3H”) a medical equipment distribution company organized in the People’s Republic of China (“PRC”), to establish a medical joint venture entity named Milestone Scientific Research & Development Inc (the “Company”) and develop an intra-articular and epidural drug delivery instruments. Beijing 3H, agreed to contribute up to \$1.5 million in cash for a 50% ownership interest to this medical joint venture and Milestone Scientific Inc. contributed a royalty – free right to use its patented Compuflo Technology which was valued initially at \$1.5 million for the remaining 50% ownership interest.

The Company was incorporated in the State of Delaware and is in its development stage. This stage is characterized by significant expenditures for the development, commercialization and for regulatory approval for two medical instruments. As a development stage company, the Company is limited to expending funds provided by its stockholders. Once the Company’s planned principal operations commence, its focus will be on the marketing its two instruments throughout the world.

In June 2013, the Company changed its name to Milestone Medical Inc.

The Company has incurred operating losses since its inception. The Company has used cash in operations since inception of approximately \$1.4 million. As of September 30, 2013, the Company does not expect to have sufficient cash reserves to meet all of its anticipated obligations for the next twelve months. The Company may require additional cash to finalize its worldwide regulatory requirements and to commercialize its two medical instruments. In order to fund these objectives, the Company will require additional capital from its owners or offer its securities in a public or private offering to raise additional capital. There is no assurance that the Company will receive funding from its owners or be successful in raising additional capital on terms or conditions satisfactory to the Company, if at all. If additional capital can not be raised, the Company will be forced to curtail its development activities.

The Company’s losses since inception and requirements to raise additional capital as discussed above raise substantial doubt about its ability to continue as a going concern. The Company’s financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**Milestone Medical Inc.**  
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**NOTES TO FINANCIAL STATEMENTS**

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***Basis of Accounting***

The accompanying financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Use of Estimates***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Advances to Contractors***

The advances to contractors represent funding to a subcontractor for the research and development of the two medical instruments.

***Equipment***

Equipment (molds for pre-production and commercialized instruments) are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. The costs of maintenance and repairs are charged to operations as incurred.

***Intangible Asset***

In connection with the formation and capitalization of the Company, the business was valued at inception using the discounted cash flow method, which resulted in a valuation of approximately \$3 million. The Company allocated the business valuation between the cash that Beijing 3H agreed to contribute (\$1.5 million) and the remaining \$1.5 million was allocated to Milestone Scientific Inc.'s contribution of a royalty-free right to use its patented CompuFlow technology (intangible asset). The Company will begin amortizing the intangible asset contributed when either of the two medical devices has been commercialized. The asset's estimated useful life will be based on the average remaining life of the underlying patents. In the development stage the Company assesses the intangible asset for impairment at each reporting period or sooner if there are indicators that trigger an earlier assessment. The Company's impairment assessment is based on several factors including the progress made in developing the two medical instruments, the results from the research performed by the vendor, the Company's ability to use its technical capabilities to forecast the outcome of the research being performed and more recently feedback received from professionals as the Company applies for FDA approval. All these factors indicate

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**NOTES TO FINANCIAL STATEMENTS**

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that the technology continues to be feasible to be used in the two instruments being developed. Accordingly, no impairment has been recorded in these financial statements for the periods being reported.

***Research and Development***

Research and development costs are expensed as incurred. The Company's research and development efforts are sub-contracted to vendors and progress is monitored periodically.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized.

***Accounting for Uncertain Tax Positions***

The Company follows the Income Taxes Topic of the FASB Accounting Standards Codification, which provides clarification on accounting for uncertainty in income taxes recognized in the Company's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition.

At September 30, 2013 and December 31, 2012, no significant income tax uncertainties have been included in the Company's financial statements. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the statement of operations. No interest and penalties have been incurred for the nine months ended September 30, 2013, year ended December 31, 2012 and from March 8, 2011 (inception) to September 30, 2013. Tax returns since inception are subject to audit by federal and state jurisdictions.

***Services Provided by Stockholder***

The Company is provided management, financial, engineering and accounting services by the staff of Milestone Scientific, Inc, its joint venture partner. The value related to these services are charged to the Company on a periodic basis. These charges are included in the financial statements as shared service expense. Additional Paid in Capital has been credited for the rendered.

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### NOTE 3 - JOINT VENTURE AGREEMENT:

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In connection with the Joint Venture Agreement with Milestone Scientific, Beijing 3H agreed to contribute up to \$1.5 million to the Company for the fifty (50) percent ownership. Beijing 3H contributed \$670,000 in 2011 and the remaining \$830,000 was contributed in 2012. At inception, the Company reviewed this transaction to assess the technological feasibility of the products being developed. Based on the following factors, the Company believed the technology was feasible from inception.

- Milestone Scientific Inc. patented its CompuFlo technology in several instruments.
- The patents were generic for use in the medical and dental markets when granted.
- The capabilities to use this technology existed from CompuFlo technology and as technology evolved the Company has improved the technology over a number of years.
- The Director of Clinical Affairs of the Company was involved significantly in developing these patents initially and his conclusions are that technology is feasible for use in medical devices.

Milestone Scientific Inc. was authorized by the joint venture agreement to manage and oversee the development of the two medical instruments for the Company. In connection with this, Milestone Scientific Inc. entered into an agreement with a vendor to develop the two instruments. Milestone personnel monitored the development of the instruments with the third party vendors on a monthly basis thus ensuring that the instruments are being developed on a timely basis.

Milestone Scientific Inc. charged expenses to the Company based on estimated time expended on the development, supervision and management of the project. For the nine months ended September 30, 2013, Milestone Scientific Inc. expended approximately \$112,000 on regulatory legal fees (FDA Regulations) and charged the Company \$184,000, \$206,000 and \$336,000 in time charges relating to project management for the nine months ended September 30, 2013, year ended December 31, 2012 and from March 8, 2011 (Inception) to September 30, 2013, respectively. These charges have been credited to additional paid-in capital.

Milestone Scientific Inc. will have distribution responsibility in the U.S. and Canada, while Beijing 3H will distribute products exclusively in the PRC, Macao, Hong Kong and other regions of Asia. The Company will have distribution responsibilities for the rest of the world.

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**NOTE 4 - RELATED PARTY TRANSACTIONS:**

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The Company is owned by Milestone Scientific Inc. and Beijing 3H. The Company reimbursed approximately \$105,000 of previous research and development expenditures to Milestone Scientific Inc. in 2011. The Company periodically reimburses Milestone Scientific Inc. for the travel and other cost related to the development of the two medical instruments. These expenses reimbursed were \$9,047, \$16,956 and \$26,003 for nine months ended September 30, 2013, year ended December 31, 2012, and from March 8, 2011 (Inception) to September 30, 2013, respectively.

The Company is provided management, financial, engineering and accounting services by the staff of Milestone Scientific, Inc, its joint venture partner. The cost related to these services are charged to the Company on a periodic basis as described in Note 3.

The Company purchased equipment for \$77,000 from a supplier who is also an investor in the Company and Milestone Scientific, Inc.

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**NOTE 5 - PROVISION FOR INCOME TAXES:**

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The Company's deferred tax asset have not been recognized in the accompanying financial statements due to the Company's history of operating losses, which required full valuation allowances for all of The Company's deferred tax assets at September 30, 2013, December 31, 2012 and for the period March 8, 2011 (Inception) to September 30, 2013.

	<u>September 30, 2013</u>	<u>December 31, 2012</u>	<u>Cumulative Inception to Date</u>
Current:			
Federal	\$ 196,000	\$ 399,000	\$ 677,000
State	35,000	70,000	120,000
Deferred:			
Federal	2,000	-	2,000
State	-	-	-
Subtotal	<u>233,000</u>	<u>469,000</u>	<u>799,000</u>
Valuation allowance	<u>(233,000)</u>	<u>(469,000)</u>	<u>(799,000)</u>
Current deferred tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net operating loss carryforward	797,000	566,000	799,000
Valuation allowance	<u>(797,000)</u>	<u>(566,000)</u>	<u>(799,000)</u>
Non-current deferred tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 5 - PROVISION FOR INCOME TAXES: (Continued)**

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As of September 30, 2013 and December 31, 2012, the Company has federal net operating loss carryforwards of approximately \$1,992,000 and \$1,415,000, respectively that will be available to offset future taxable income, if any, through December 2032.

The Company has state net operating losses of approximately \$1,992,000 and \$1,415,000 as of September 30, 2013 and December 31, 2012, respectively, expiring through December 2016. The

utilization of the Company's net operating losses may be subject to a substantial limitation due to the "change of ownership provisions" under Section 382 of the Internal Revenue Code and similar state provisions. Such limitation may result in the expiration of the net operating loss carry forwards before their utilization. Milestone has established a 100% valuation allowance for all of its deferred tax assets due to uncertainty as to their future realization.

At the nine months ended September 30, 2013 and year ended December 31, 2012, the deferred tax assets are comprised of the following:

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Benefit from net operating loss	\$ 797,000	\$ 566,000
Timing differences for depreciation	2,000	-
Valuation allowance	(799,000)	(566,000)
Total	<u>\$ -</u>	<u>\$ -</u>

A full valuation allowance has been established against deferred tax assets since there is no assurance that the Company will generate taxable income to utilize some or all of its net loss carryforwards.

Reconciliation between the amount of income tax expense attributable to continuing operations and the amount determined by applying the applicable U.S. statutory income tax rate to pre-tax. There were no significant differences between the Company's effective tax rate and the statutory tax rates in any of the financial periods reported.

A reconciliation of the statutory tax rates for the nine months ended September 30, 2013 and year ended December 31, 2012 and March 8, 2011 (Inception) to September 30, 2013 are as follows:

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**NOTE 5 - PROVISION FOR INCOME TAXES: (Continued)**

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	<u>September 30, 2013</u>	<u>December 31, 2012</u>	<u>Cumulative Inception to Date</u>
Statutory rate	(34)%	(34)%	(34)%
State income tax - all states	(6)%	(6)%	(6)%
	(40)%	(40)%	(40)%
Current year valuation allowance	40%	40%	40%
Benefit for income taxes	<u>0%</u>	<u>0%</u>	<u>0%</u>

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**NOTE 6 - CONCENTRATIONS:**

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***Cash***

The Company maintains cash balances in a financial institution. At various times during the period, balances may have exceeded insured limits.

***Vendor***

The Company sub-contracts its research and development to a vendor which accounted for 99%, 92% and 95% of total expenses incurred for the for nine months ended September, 30, 2013, year ended December 31, 2012, and from March 8, 2011 (Inception) to September 30, 2013, respectively.

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**NOTE 7 - SUBSEQUENT EVENTS:**

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In June 2013, the Company entered an agreement with an agent in Poland, to provide assistance in raising capital in a Private Placement Memorandum (PPM). Such amount, if any, raised in the PPM, are subject to the Company's approval and subsequent listing on the Warsaw stock exchange in Poland. The agreement calls for a service fee payable to the agent if the transaction is consummated. In addition, the Company entered a three year advisory agreement with a firm in Poland for their services provided capital is raised and shares of common stock are listed on the stock exchange.

In October 2013, the Company signed subscription agreements for the sale of 2 million shares of the Company's common stock at \$1.50 per share in a private placement in Poland. The consummation of the private placement is subject to the satisfaction of all the closing conditions including, but not limited to, the admission of the Company's common stock for trading in the Alternative Trading System on the NewConnect market of the Warsaw Stock Exchange in Poland. As of the date of this report, November 14, 2013, the payment by the new investors have been fully received in escrow.

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The Company changed the Certificate of Incorporation to authorized shares of 50,000,000 common shares, par value \$0.0001 per share and to authorize 5,000,000 Preferred Shares, (preferred stock) at \$0.0001 per share in September 2013. Additionally, the common stock outstanding was split 10,000 to 1 into an aggregate of 20,000,000 shares. All periods have been recasted to reflect these changes.

In July 2013, the Company requested additional total capital contributions of \$150,000 from its two joint venture partners. As of August 15, 2013, such funds have been deposited in the Company's cash account.

**3. Brief description of the most important achievements or failures of the issuer during the period of the report as well as a description of the most important factors and events, in particular atypical ones, which impact the achieved results.**

During the third quarter ending September 30, 2013, the Company continued the process of obtaining regulatory approval for the two medical instruments (Epidural and Intra-Articular Injections Systems). The regulatory approval process is both for the USA (FDA) and the European Community (CE) and both processes are paralleling each other. The Company has also participated in a medical device trade show in the USA, during the quarter. Additionally, the Company is continuing its efforts to identify and meet with potential distributors for both instruments throughout the world. This is an ongoing process, but it is important to have the respective distributors identified and ready to begin the sales process once regulatory approval is received. There were no failures noted during the quarter.

**4. A description of the status of implementation of activities and investments of the issuer and the timetable of their implementation**

The Issuer expects to commence marketing and sale of its epidural instruments, following

obtaining U.S. FDA marketing approval, which approval is expected before the end of 2013. Since the Issuer's intra-articular instrument is at an earlier stage of development and further development of that instrument and its disposable to reflect the needs and preferences of potential users is expected marketing and sales will occur at a later date, even if the U.S. FDA marketing approval is obtained on the recently filed application. Marketing and sale of the intra-articular instrument is expected to begin approximately one year following FDA marketing approval.

**5. If the issuer took initiatives to develop its activities aimed to implement innovative solutions at the enterprise during the period of the report – information on such activities**

The Company continues to consider and where appropriate include innovative initiatives for its two medical instruments. During the quarter, there were no new initiatives, other than those described in Item #3, above.

**6. Description of the organisation of the group indicating consolidated entities**

Up to the date of this report completion, the Issuer doesn't have any subsidiary, so it doesn't constitute a capital group. For this reason the Issuer doesn't prepare consolidated financial statements.

Leonard A. Osser  
Chief Executive Officer