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NUWAY MEDICAL INC
Form 10QSB
August 04, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2005.

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

Commission File Number 000-19709

NUWAY MEDICAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

66-0159115
(I.R.S. Employer
Identification No.)

2603 Main Street, Suite 1150
Irvine, California 92614
(Address, including zip code, of principal executive offices)

(949) 235-8062
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None
Securities registered pursuant to Section 12(g) of the Exchange Act: Common
Stock, \$0.0067 par value.

Check whether the Registrant (1) 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 reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares of the Registrant's Common Stock outstanding as of March 31, 2005 was 51,981,236 shares and as of July 31, 2005 was 62,371,236 shares.

DOCUMENTS INCORPORATED BY REFERENCE: None

Transitional Small Business Disclosure Format (Check one): Yes No

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PART I

Item 1. Financial Statements

NUWAY MEDICAL, INC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2005 AND DECEMBER 31, 2004

ASSETS

	March 31, 2005 (unaudited)	December 31, 2004 (unaudited)
	-----	-----
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 481	\$ -
Total Current Assets	481	67
	-----	-----
TOTAL ASSETS	\$ 481	\$ 67
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,144,880	\$ 2,054,27
Notes Payable	1,786,000	1,632,10
Debentures Payable, Net	21,151	21,15
Total Current Liabilities	3, 952,031	3,707,52
	-----	-----

COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

SHAREHOLDERS' EQUITY

Convertible Preferred Series A, \$.00067 Par Value, 25,000,000
Shares Authorized, 559,322 Shares Issued and

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Outstanding at March 31, 2005 and December 31, 2004	375	37
Common Stock, \$.00067 Par Value, 100,000,000 Shares		
Authorized, 51,981,236 and 51,981,236 Shares Issued		
At March 31, 2005 and December 31, 2004, respectively	34,120	34,12
Additional Paid-In Capital	23,299,870	23,299,87
Accumulated Deficit	(27,285,915)	(27,041,88
	-----	-----
Total Shareholders' Equity	(3,951,550)	(3,707,52
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 481	\$ -
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY STATEMENTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDING MARCH 31, 2005 AND 2004

	For the period ending March 31 2005 (unaudited)	2004 (unaudited)
	-----	-----
Revenue		
Total Revenues	--	--
	-----	-----
Costs and Expenses		
Selling, General and Administrative	193,712	368,596
Depreciation, Depletion and Amortization	--	--
	-----	-----
Total Costs and Expenses	193,712	368,596
	-----	-----
Loss from operations	(193,712)	(368,596)
	-----	-----
Other Income and Expense		
Interest Expense	(50,317)	(105,156)
Other Income	--	4,600
	-----	-----
Net Other Expense	(50,317)	(100,556)
	-----	-----
Loss Before Income Taxes	(244,029)	(469,152)
Provision for Income Taxes (Benefit)	--	--
	-----	-----
Net Loss	(244,029)	(469,152)
	=====	=====
	=====	=====
Loss Per Common Share - Basic and Diluted		
Loss per share from Continuing Operations	\$ (0.01)	\$ (0.01)

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Net Loss per Share, rounding	\$ (0.01)	\$ (0.01)
Weighted Average Common Share Equivalents Outstanding	45,786,842	38,618,877

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY
 STATEMENTS OF STOCKHOLDERS' DEFICIT (UNAUDITED)
 FOR THE THREE MONTH PERIOD ENDING MARCH 31, 2005

	Preferred Stock		Common Stock		Addition Paid-In Capit
	Number of Shares	Par Value \$.00067	Number of Shares	Par Value \$.00067	
BALANCE DECEMBER 31, 2004	559,322	375	51,981,236	\$ 34,120	\$ 23,299
STOCK ISSUED FOR SERVICES			--	--	
CONVERSION OF DEBENTURES			--	--	
SALE OF COMMON STOCK			--	--	
NET LOSS					
BALANCE MARCH 31, 2005	559,322	\$ 375	51,981,236	\$ 34,120	\$ 23,299

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY
 STATEMENTS OF CASH FLOWS FOR THE THREE MONTH PERIODS ENDING
 MARCH 31, 2005 AND 2004
 Three Month Periods Ending

	March 31,
	2005 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	

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Net Loss	\$	(244,029)	\$
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Issuance of Stock for Services		--	
Amortization of Discount on Note		--	
Increase in Accounts Payable and Accrued Expenses		90,610	

Net Cash Used In Operating Activities		(153,419)	

CASH FLOWS USED IN INVESTING ACTIVITIES			

No Cash Used In or Provided by Investing Activities		--	

CASH FLOWS FROM FINANCING ACTIVITIES			
Funds from Loans		153,900	
Payments to reduce Note Payable		--	
Proceeds from Sale of Common Stock		--	

Net Cash Provided By Financing Activities		153,900	

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		481	
CASH AND CASH EQUIVALENTS - BEGINNING		--	

CASH AND CASH EQUIVALENTS - ENDING	\$	481	\$
		=====	
SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION			
Cash Paid During the Period for:			
Interest	\$	--	\$
		=====	
Income Taxes	\$	--	\$
		=====	
Conversion of Debentures and Accrued Interest to Capital	\$	--	\$
		=====	

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC. AND SUBSIDIARY
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Accounting Policies-Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of operations, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results

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and outcomes may differ from management's estimates and assumptions. Estimates are used when accounting for stock-based transactions, uncollectible accounts receivable, asset depreciation and amortization, and taxes, among others.

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the NuWay Medical, Inc. Annual Report on Form 10-KSB for the year ended December 31, 2004.

Note 2. Business and Organization

Outlook

The Company had no continuing business operations as of March 31, 2005. The Company operated as a public shell during the three-month period ended March 31, 2005, and operations primarily consisted of the Company's president seeking funding, maintaining the corporate entity, complying with the requirements of the Securities Exchange Commission (the "SEC") and seeking merger and acquisition candidates or new business opportunities.

The financial statements accompanying this Report have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of our business. We had a net loss of \$1,218,048 and \$244,029 for the year ending December 31, 2004 and the three-month period ended March 31, 2005, respectively; a negative cash flow from operating activities of \$67,771 and \$153,419 for the year ending December 31, 2004 and the three-month period ended March 31, 2005, respectively; and a stockholders' deficiency of \$27,041,886 and \$27,285,915 as of December 31, 2004 and March 31, 2005, respectively.

As of March 31, 2005, the Company has limited liquid and capital resources although it is seeking acquisition opportunities. These factors raise substantial doubt about its ability to continue as a going concern. Ultimately, the Company's ability to continue as a going concern is dependent upon its ability to attract new sources of capital, establish an acquisition or reverse

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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

merger candidate with continuing operations, attain a reasonable threshold of operating efficiencies and achieve profitable operations. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

For the three-month period ended March 31, 2005, the Company raised \$151,000 through convertible debt financing.

Note 3. Due to President - Unreimbursed business expenses

In 2003 and 2004 the Company's President, Dennis Calvert, loaned money to the Company by paying from his personal funds certain of the Company's expenses. A significant portion of these personal funds were obtained by Mr. Calvert by refinancing his primary residence and cashing out equity thereon. On March 7, 2005, the Company and Mr. Calvert agreed such that the \$101,770 still

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outstanding and owed by the Company to Mr. Calvert will be repaid under the terms of a promissory note bearing interest of 10% per annum, requiring monthly payments and maturing on January 15, 2006.

As of March 31, 2005, the Company had accrued an expense related to the unpaid accrued compensation due its president, Mr. Calvert, in the amount of \$274,900.

Note 4. Sales of Unregistered Securities

In January, 2005, the Company received gross and net proceeds of \$25,000 from an outside investor and issued its convertible promissory note due and payable one year from the date of issuance. The Note bears interest at a rate of 10% per annum, payable on the maturity date. The ("Note") can be converted, in whole or in part, into shares of the Company's Series A Preferred stock, on the basis of \$.005 per share, at any time prior to maturity by either the Company or the lender. Each share of Series A Preferred Stock may be converted by the holder into one share of the Company's common stock. If the noteholder converts the Note into Series A Preferred Stock, on or after the Note's original maturity date the noteholder may require the Company to buy back the shares of Series A Preferred Stock for 110% of the principal amount of the Note (the "Buy Back Provision"). If the Company is unable to do so, the Company's president, Dennis Calvert, has agreed to buy back the shares on the same terms. If shares of Series A Preferred Stock are converted into common stock, the holder has the right to include (piggyback) the shares of common stock in a registration of securities filed by the Company (other than on Form S-4 or Form S-8).

The Company's payment obligations under the Note may be accelerated upon the following events: (i) the sale of the Company's assets outside the ordinary course of business; (ii) a breach of the representations and warranties contained within the agreement evidencing the loan; (iii) the failure to timely pay the Note; (iv) the Company's default in any other loan obligation greater

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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

than \$100,000; (v) the Company's dissolution, liquidation, merger, consolidation, bankruptcy, or future insolvency; and (vi) the commencement of any suit that threatens to have a material adverse effect on the Company, including the entry of a final judgment or settlement in excess of \$100,000.

In January, 2005, the Company received gross and net proceeds of \$75,000 from two outside investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 18,000,000 shares of common stock (at \$0.0042 per common share, rather than \$0.005 per Series A Preferred share).

On February 10, 2005, the Company amended its obligations to Dr. James Seay (the "noteholder") under its promissory note dated November 20, 2003 in the principal amount of \$50,000 and which matured on February 18, 2004. On the maturity date of the note the Company was obligated to pay the noteholder \$65,000. The Company has paid the noteholder \$30,000 and the balance of \$35,000 remains outstanding. The amendment to the note entered into on February 10, 2005, (i) extends the maturity date of the note to February 3, 2006, (ii)

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provides for interest to accrue at a rate of 10% per annum (15% upon default), and (iii) allows for the conversion of the note into 7,000,000 shares of the Company's common stock, or \$.005 per share.

In February, 2005, the Company received gross proceeds of \$51,000 and net proceeds of \$47,000 from four outside investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 5,558,036 shares of common stock (at an average of \$0.009 per common share, ranging from \$0.007 to \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

All of these offerings and sales were made in reliance on the exemption from registration contained in Section 4(2) of the Securities Exchange Act and/or Regulation D promulgated thereunder as not involving a public offering of securities.

Until the Company's stockholders approve an amendment to the Company's charter to increase the number of authorized shares of common stock, the Company will be unable to fulfill its obligations to all convertible noteholders to permit the conversion into common stock of amounts due pursuant to the terms of the convertible notes. In the event that the Company has not raised further capital prior to the maturity dates of the convertible notes, the Company would be in default of those notes if its stockholders have not formally approved an increase in the number of authorized common shares. The Company is not, at this time, in default on any of the convertible notes.

Note 5. Subsequent Events

Sales of Unregistered Securities

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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

On April 18, 2005, the Company received gross and net proceeds of \$25,000 and \$23,750, respectively, from an outside investor and issued a convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allows conversion into a total of 2,500,000 shares of common stock (at \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

On May 2, 2005, the Company received gross and net proceeds of \$50,000 and \$47,500, respectively, from an outside investor and issued a convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allows conversion into a total of 7,142,857 shares of common stock (at \$0.007 per common share, rather than \$0.005 per Series A Preferred share).

On June 7, 2005, the Company received gross and net proceeds of \$5,000 from an outside investor and issued a convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allows conversion into a total of 500,000 shares of common stock (at \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

On June 9, 2005, the Company received gross and net proceeds of

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\$100,000 from two outside investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 13,000,000 shares of common stock (at approximately \$0.008 per common share, rather than \$0.005 per Series A Preferred share).

On June 21, 2005, the Company received gross and net proceeds of \$20,120 from three outside investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 2,120,000 shares of common stock (at approximately \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

On June 22, 2005, the Company received gross and net proceeds of \$22,000 from two individual investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 2,200,000 shares of common stock (at approximately \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

On June 29, 2005, the Company received gross and net proceeds of \$110,000 from three individual investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 11,000,000 shares of common stock (at approximately \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

On July 21, 2005, the Company received gross proceeds of \$10,000 and net proceeds of \$9,500 from an outside investor and issued convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allow conversion into a total of 625,000 shares of common stock (at approximately \$0.016 per common share, rather than \$0.005 per Series A Preferred share).

On July 28, 2005, the Company's board of directors approved the issuance of an aggregate of 4,390,000 shares of the Company's common stock to two consultants, at a share price of \$0.01 per share. This issuance was in satisfaction of an aggregate of \$43,900 owed by the Company for services previously performed by these individuals.

On August 1, 2005, the Company received gross proceeds of \$50,000 and net proceeds of \$47,500 from an individual investor and issued convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allow conversion into a total of 3,125,000 shares of common stock (at approximately \$0.016 per common share, rather than \$0.005 per Series A Preferred share).

On, August 2, 2005, the Company received gross proceeds of \$100,000 and net proceeds of \$95,000 from an individual investor and issued convertible promissory note on substantially the same terms as the previously described Note, except the note does not include Buy Back Provisions, and allow conversion into a total of 6,250,000 shares of common stock (at approximately \$0.016 per common share, rather than \$0.005 per Series A Preferred share).

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On, August 3, 2005, the Company received gross and net proceeds of \$105,000 from two individual investors and issued convertible promissory notes on substantially the same terms as the previously described Note, except the notes do not include Buy Back Provisions, and allow conversion into a total of 6,562,500 shares of common stock (at approximately \$0.016 per common share, rather than \$0.005 per Series A Preferred share).

All of these offerings and sales were made in reliance on the exemption from registration contained in Section 4(2) of the Securities Exchange Act and/or Regulation D promulgated thereunder as not involving a public offering of securities.

Until the Company's stockholders approve an amendment to the Company's charter to increase the number of authorized shares of common stock, the Company will be unable to fulfill its obligations to all convertible noteholders to permit the conversion into common stock of amounts due pursuant to the terms of the convertible notes. In the event that the Company has not raised further capital prior to the maturity dates of the convertible notes, the Company would be in default of those notes if its stockholders have not formally approved an increase in the number of authorized common shares. The Company is not, at this time, in default of the convertible notes.

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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

Execution of Letter of Intent

On July 25, 2005, the Company and IOWC Technologies, Inc. ("IOWC") signed a binding letter of intent pursuant to which the Company will acquire certain assets, including intellectual property, from IOWC, and IOWC will receive approximately 51% of the issued and outstanding stock of the Company on an after-issued basis. Given the numerous significant conditions which must be satisfied prior to the closing of the transactions, there can be no assurance that the transactions will be consummated as presently envisioned.

Extension of Augustine Loan

On July 29, 2005, the Company and the Augustine Fund finalized the terms of an amendment to the Augustine Loan and executed formal documentation, in which the parties agreed to further extend the maturity date to May 2006. In exchange, the Company issued a warrant that gives the Augustine Fund the right to purchase 8,000,000 shares of the Company's common stock at \$0.005 per share for a period of five years.

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Item 2. Management's Discussion and Analysis

This Quarterly Report on Form 10-QSB of NuWay Medical, Inc. (the "Company") contains forward-looking statements. These forward-looking statements include predictions regarding, among other things, our:

- o general and administrative expenses;

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- o liquidity and sufficiency of existing cash;
- o purchase or other acquisition of new businesses; and
- o the outcome of pending or threatened litigation.

You can identify these and other forward-looking statements by the use of words such as "may," "will," "expects," "anticipates," "believes," "estimates," "continues," or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Such statements, which include statements concerning future revenue sources and concentrations, selling, general and administrative expenses, research and development expenses, capital resources, additional financings and additional losses, are subject to risks and uncertainties, including, but not limited to, those discussed elsewhere in this Form 10-QSB, that could actual results to differ materially from those projected.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the heading "Risk Factors" in our Annual Report on Form 10-KSB for the year ended December 31, 2004. All forward-looking statements included in this document are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements.

Unless otherwise expressly stated herein, all statements, including forward-looking statements, set forth in this Form 10-QSB are as of March 31, 2005, and we undertake no duty to update this information.

Plan of Operations

Overview

The Company had no continuing business operations as of March 31, 2005. The Company operated as a public shell during the three-month period ended March 31, 2005, and operations primarily consisted of the Company's president seeking funding, maintaining the corporate entity, complying with the requirements of the Securities Exchange Commission (the "SEC") and seeking merger and acquisition candidates or new business opportunities. The Company will need working capital resources to maintain the Company's status and to fund other anticipated costs and expenses during the year ending December 31, 2005 and beyond. The Company's ability to continue as a going concern is dependent on the Company's ability to raise capital to, at a minimum, meet its corporate

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maintenance requirements. If the Company is able to acquire an ongoing business and/or technology that must be exploited, it would need additional capital until and unless that prospective operation is able to generate positive working capital sufficient to fund the Company's cash flow requirements from operations.

Results of Operations

The Company had no revenues from continuing operations during the

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three-month periods ended March 31, 2005 and 2004.

Selling, General and Administrative Expense

Selling, general and administrative expenses were \$194,000 for the three-month period ended March 31, 2005, compared to \$369,000 for the three-month period ended March 31, 2004. This decrease is primarily attributable to the decrease in legal expenses in the three-month period ended March 31, 2005 compared with the same period in 2004. The largest components of these expenses were:

a. Salaries and Payroll-Related Expenses: These expenses were \$49,000 for the three-month period ended March 31, 2005, compared to \$177,000 for the three-month period ended March 31, 2004, a decrease of \$128,000. The decrease is almost entirely attributable to an expense recorded by the Company in the prior year for the issuance of 3,000,000 shares of the Company's common stock to an officer of the Company in lieu of cash compensation in the amount of \$118,000.

b. Consulting Expenses: These expenses were \$41,000 for the three-month period ended March 31, 2005, compared to \$3,000 for the three-month period ended March 31, 2004, an increase of \$38,000. The increase is related to a reversal of accrued consulting expense relating to the issuance (and subsequent return to treasury) of the Company's common stock in the prior year.

c. Legal Expenses: These expenses were \$51,000 for the three-month period ended March 31, 2005, compared to \$157,000 for the three-month period ended March 31, 2004, a decrease of \$106,000. This decrease is primarily due to the high level of legal services required during the three-month period ended March 31, 2004 with respect to the Premium Medical Group, Inc. ("PMG") acquisition, which acquisition was later rescinded.

Net Loss

Net loss for the three-month period ended March 31, 2005 was \$244,029, or \$(0.01) per share, compared to a net loss of \$469,000, or \$(0.01) per share for the three-month period ended March 31, 2004.

Liquidity and Capital Resources

General

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Cash and cash equivalents totaled \$481 at March 31, 2005. We had no revenues in the three-month period ended March 31, 2005 and were forced to consume cash on hand to fund operations. The Company's cash position is insufficient to meet its expenses. The Company will be required to raise additional capital to sustain basic operations through the remainder of 2005 and until a merger or acquisition candidate with operations of its own is located and a transaction is consummated. While the Company is actively seeking investments through private investors and other parties, there is no assurance that the Company will be able to raise additional capital for the entire period required.

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The Company will be required to raise additional capital to sustain operations and meet its liabilities as they become due for the next twelve months, and is actively seeking investments from third parties. There is no assurance that the Company will be able to raise additional capital. It is unlikely that the Company will be able to qualify for bank debt until such time as the Company is able to demonstrate the financial strength to provide confidence for a lender.

The financial statements accompanying this Report have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of our business. We had a net loss of \$244,029 the three-month period ended March 31, 2005, and \$1,218,048 for the year ending December 31, 2004; a negative cash flow from operating activities of \$67,771 the three-month period ended March 31, 2005, and \$153,419 for the year ending December 31, 2004; and a stockholders' deficiency of \$27,041,886 as of December 31, 2004, and \$27,285,915 as of March 31, 2005.

As of March 31, 2005, the Company has limited liquid and capital resources although it is seeking acquisition opportunities. These factors raise substantial doubt about our ability to continue as a going concern. Ultimately, the Company's ability to continue as a going concern is dependent upon its ability to attract new sources of capital, establish an acquisition or reverse merger candidate with continuing operations, attain a reasonable threshold of operating efficiencies and achieve profitable operations. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

For the three-month period ended March 31, 2005, the Company raised an aggregate of \$151,000 gross proceeds and \$147,000 net proceeds from seven individual investors and issued convertible promissory notes due and payable one year from the date of issuance. The notes bear interest at a rate of 10% per annum, payable on the maturity date, and can be converted, in whole or in part, into shares of the Company's common stock, on the basis of \$.005 to \$0.01 per share, at any time prior to maturity by either the Company or the holder. The holder has the right to include (piggyback) the shares of common stock in a registration of securities filed by the Company (other than on Form S-4 or Form S-8). Please see Part II, Item 2 "Changes in Securities".

Significant debt obligations at March 31, 2005 included:

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(i) \$420,000 due to Augustine II, LLC (the "Augustine Fund"), together with accrued but unpaid interest, described in more detail below;

(ii) a \$1,120,000 note payable which was purchased in March 2003 by New Millennium Capital Partners, LLC ("New Millennium"), an entity owned and controlled by the Company's president, Dennis Calvert, and certain members of his family, together with accrued but unpaid interest, described in more detail below;

(iii) amounts owed to Mr. Calvert personally in the aggregate amount of approximately \$372,000, as described below;

(iv) convertible promissory notes to various investors in the aggregate principal amount of \$253,500, plus accrued interest;

(v) approximately \$21,151 outstanding remaining on a settlement agreement with former convertible debenture holders; and

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(vi) \$35,000 in remaining balance due to a former advisory board member, from a promissory note dated November 20, 2003 in the original principal amount of \$65,000.

For the three-month period ended March 31, 2005, there was \$50,357 of accrued interest recorded related to these obligations.

Augustine Fund Note

On June 10, 2003 the Company entered into a Term Loan Agreement ("Loan Agreement") with the Augustine Fund, pursuant to which the Augustine Fund agreed to lend the Company \$420,000, payable in installments of \$250,000, \$100,000, and \$70,000 (the "Augustine Loan"). The proceeds of the Augustine Loan were used by the Company for working capital.

Principal and interest, at an annual rate of 10%, of the Augustine Loan, was originally due on February 29, 2004. In addition, the Loan Agreement contains certain requirements that the Company make mandatory prepayments of the Augustine Loan from the proceeds of any asset sales outside of the ordinary course of business, and, on a quarterly basis, from positive cash flow. In addition, all or any portion of the Augustine Loan may be prepaid by the Company may prepay all or any portion of the Augustine Loan at any time without premium or penalty.

As additional consideration for making the Augustine Loan, the Augustine Fund received five-year warrants to purchase up to 6,158,381 shares of the Company's common stock at an exercise price of \$0.16 per share. The Company could require that the warrants be exercised if certain conditions were satisfied. Since these conditions were not fully satisfied by the maturity date, the Loan Agreement provides that the Augustine Fund may, at any time following the maturity date and so long as the warrants remain exercisable, elect to exercise all or any portion of the warrants pursuant to a "cashless exercise", whereby the Augustine Fund would be issued the net amount of shares of our

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common stock, taking into consideration the difference between the exercise price of the warrants and the fair market value of our common stock at the time of exercise, without having to pay anything to the Company for such exercise.

As security for the Augustine Loan, New Millennium Capital Partners LLC ("New Millennium"), a company controlled and owned by the Company's president, Dennis Calvert, and members of his family, pledged 2.5 million shares of the Company's common stock owned by New Millennium, and, in addition, the Company has granted the Augustine Fund a security interest in its 51% membership ownership interest in NuWay Sports. As a result, the Company will need to consent of the Augustine Fund to release its security interest in NuWay Sports if the Company is able to sell NuWay Sports.

Prior to the original maturity date of the Augustine Loan, the Company spoke with representatives of the Augustine Fund and advised them that the Company was unable to pay the amount due under the Augustine Loan by the February 29, 2004 maturity date. On March 30, 2004, the Augustine Fund agreed to extend the maturity date of the Loan Agreement to August 2004. In addition to the extension of the maturity date, the Augustine Fund was given the option of having the Augustine Loan satisfied in cash or by the conversion of any remaining principal balance and any accrued interest on the Augustine Loan to shares of the Company's common stock at a 15% discount to market, so long as

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Augustine Fund's holdings do not exceed 4.9% of the total issued and outstanding shares of the Company's common stock at any time. In addition, the warrants held by the Augustine Fund to purchase 6,158,381 shares of the Company's common stock were re-priced to an exercise price of \$.035 per share. Exercise of the warrants is also subject to the limit that the Augustine Fund does not hold more than 4.9% of the issued and outstanding shares of the Company's common stock. The Company recorded \$14,000 of interest expense as of March 31, 2004, related to the Augustine Loan.

On March 7, 2005, the Company and the Augustine Fund agreed to further extend the maturity date of the Augustine Loan to May 2006, in exchange for the issuance of a warrant that gives the Augustine Fund the right to purchase 8,000,000 shares of the Company's common stock at \$0.005 per share for a period of five years. After the completion of the period ended March 31, 2005, the Company and the Augustine Fund finalized and executed formal documentation of these amended terms. See Part II, Item 5.

Obligation to New Millennium

In conjunction with the acquisition from Med Wireless of the license for the its technology in 2002, the Company assumed a \$1,120,000 note (the "Note") with interest at 10% per annum payable by Med Wireless to Summitt Ventures, Inc. ("Summitt Ventures"). The Note is secured by the Company's assets and was originally due on June 15, 2003. It was sold, as part of a series of transactions with Mark Anderson, a former consultant and former principle stockholder of the Company, and his affiliated entities, to New Millennium, an entity owned and controlled by the Company's president, Dennis Calvert, and certain members of his family, in March 2003.

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Since New Millennium purchased the Note, the Company has attempted multiple times to convert the Note, but has been unable to obtain the required stockholder vote, due to a lack of quorum, to do so. New Millennium orally agreed with the Company to extend the maturity date of the Note to a first payment due October 1, 2003 in the amount of \$100,000 and the balance of the principal due on April 1, 2004. The Company was unable to make the \$100,000 payment on the Note on the extended due date of October 1, 2003.

In October 2004, New Millennium agreed to extend the maturity of the Note indefinitely until the Company acquired assets or an operating business that would allow it to meet its obligations on the note.

Accordingly, as of March 31, 2005, the principal amount of the loan, together with \$231,465 in accrued but unpaid interest, had not been repaid.

Under the terms of the New Millennium Note, it is possible that Summitt Ventures, and Mr. Anderson's affiliated entities may have a claim to reacquire the shares of the Company's common stock that were sold to New Millennium. The New Millennium Note is purportedly secured by the purchased shares of the Company's common stock; however, New Millennium and Mr. Calvert believe that Mr. Anderson and his affiliates have not perfected their security interest in those shares. In addition, the Augustine Fund is the pledgee of 2,500,000 of those shares and has physical possession of those shares.

New Millennium has informed the Company's board of directors that New Millennium intends to fully convert the Note to stock as soon as it is practical, following stockholder approval. As of the date of the filing of this report, the stockholder vote has not taken place and the Note has not been

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converted into shares of the Company's common stock.

Obligations to Dennis Calvert

In 2003 and 2004 the Company's President, Dennis Calvert, loaned money to the Company by paying from his personal funds certain of the Company's expenses. A significant portion of these personal funds was obtained by Mr. Calvert by refinancing his primary residence and cashing out equity thereon. On March 7, 2005, the Company and Mr. Calvert agreed such that the \$101,770 still outstanding and owed by the Company to Mr. Calvert will be repaid under the terms of a promissory note bearing interest of 10% per annum, requiring monthly payments and maturing on January 15, 2006.

As of March 31, 2005, the Company had accrued an expense related to the unpaid accrued compensation due Mr. Calvert in the amount of \$274,900.

Critical Accounting Policies

The SEC recently issued Financial Reporting release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR 60"), suggesting companies provide additional disclosure and commentary on their most

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critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include: non-cash transactions and compensation valuations that affect the total expenses reported in the current period and/or values of assets received in exchange.

The Company has established a policy relative to the methodology to determine the value assigned to each intangible acquired with or licensed by the Company and/or services or products received for non-cash consideration of the Company's common stock. The value is based on the market price of the Company's common stock issued as consideration, at the date of the agreement of each transaction or when the service is rendered or product is received, as adjusted for applicable discounts.

The methods, estimates and judgments the Company uses in applying these most critical accounting policies have a significant impact on the results of the Company reports in its financial statements.

Item 3. Controls and Procedures

(a) Evaluation of disclosure controls and procedures: Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-QSB. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be

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disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(b) Changes in internal control over financial reporting: There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-QSB that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

Item 1. Legal Proceedings

In June 2002, Geraldine Lyons, the Company's former Chief Financial Officer, sued the Company and the Company's former president Todd Sanders, for breach of her employment contract. The lawsuit was brought in the Circuit Court of the 11th Judicial Circuit in Miami-Dade County in Florida. Ms. Lyons seeks approximately \$25,000 due under the contract and the issuance of 100,000 shares of common stock, with a guarantee that the stock could be sold by Ms. Lyons for \$300,000. Ms. Lyons alleges that additional funds are due under her employment contract; that the contract requires the Company guarantee that she can sell for \$300,000 the 100,000 shares of stock the Company is required to issue her; and, that Mr. Sanders promised to purchase from her 100,000 shares of Company common stock held by her at the price of \$4.00 per share.

The Company has counter-sued Ms. Lyons for breach of fiduciary duty, fraud, violation of Section 12(a)(2) of the Securities Act of 1933, violation of Section 517.301 of the Florida Statutes, negligent misrepresentation, conversion and unjust enrichment resulting from the required restatement of the Company's financial statements for the years ended December 31, 2000 and December 31, 1999. The restatements corrected the previous omission of certain material expenses related primarily to compensation expense arising from warrants issued and repriced stock options, as well as other errors.

The case is ongoing at this time, although it has not been vigorously prosecuted by Ms. Lyons or the Company, in the Company's case primarily because the Company had lacked the resources to do so. The Company entered into an agreement ("Legal Defense Agreement") in December 2004 such that Augustine II, LLC ("Augustine Fund") would pay for the legal expenses associated with the Company's defense and affirmative claims in this lawsuit (with the right to withdraw funding at any time), and in exchange would share any net proceeds awarded to the Company pursuant to a settlement or judgment. The sharing arrangement provides that Augustine Fund will recover first, out of any money available from recovery, its legal and out of pocket expenses related to the lawsuit; second, 85% of any additional amounts recovered up to \$500,000; and third, 50% of amounts recovered beyond \$500,000. While the Company believes that it has meritorious positions in this litigation, given the inherent nature of litigation, it is not possible to predict the outcome of this litigation or the impact it would have on the Company.

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In May 2004, the Company was sued by Flight Options, Inc. ("Flight Options"), a jet plane leasing company, in the Superior Court of Orange County California. The lawsuit alleges that the Company owes Flight Options approximately \$418,300, pursuant to a five-year lease assigned to the Company by the Company's former president Todd Sanders, from his corporation, Devenshire Management Corporation ("Devenshire"). Management of the Company believes that the assignment of the lease was not properly authorized or approved by the Company, and that by Mr. Sander's failure to identify the lease in a December

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2002 settlement agreement with the Company, he breached the terms of that settlement agreement and, pursuant to the settlement agreement, must indemnify the Company for any losses owed to Flight Options. The Company has cross-complained against Mr. Sanders for indemnity, and has added the affirmative claim of breach of fiduciary duty.

On March 17, 2005, the Company settled the lawsuit with the plaintiff pursuant to a stipulation that allows the Company to either pay Flight Options \$100,000 on or before August 5, 2005, or allows Flight Options to file a judgment against the Company for \$163,310 after such date. The Company is in negotiations to extend the August 5, 2005 deadline. Those negotiations have not been concluded, and there can be no assurance that Flight Options will agree to extend the deadline. The Company's claims against Devenshire and Mr. Sanders will be litigated through binding arbitration. The Company's Legal Defense Agreement with the Augustine Fund applies also to the Flight Options litigation. While the Company believes that it has meritorious positions against Devenshire and Mr. Sanders, given the inherent nature of litigation, it is not possible to predict the outcome of this litigation or the impact it would have on the Company.

On December 4, 2004, the Company was sued by the law firm of Enenstein Russell and Saltz, LLP to collect fees that had been billed to the Company in the amount of \$15,233, which had been disputed by the Company. The Company is defending its rights in the lawsuit. The case is in its beginning stage, and a trial date has not been set. While the Company believes that it has meritorious positions in this litigation, given the inherent nature of litigation, it is not possible to predict the outcome of this litigation or the impact it would have on the Company.

The Company is party to various other claims, legal actions and complaints arising periodically in the ordinary course of business. In the opinion of management, no such matters will have a material adverse effect on the Company's financial position or results of operations.

Item 2. Changes in Securities

In January, 2005, the Company received gross and net proceeds of \$25,000 from an outside investor and issued its convertible promissory note due and payable one year from the date of issuance. The note bears interest at a rate of 10% per annum, payable on the maturity date. The note can be converted, in whole or in part, into shares of the Company's Series A Preferred stock, on the basis of \$.005 per share, at any time prior to maturity by either the Company or the lender. Each share of Series A Preferred Stock may be converted by the holder into one share of the Company's common stock. If the noteholder converts the note into Series A Preferred Stock, on or after the note's original maturity date the noteholder may require the Company to buy back the shares of

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Series A Preferred Stock for 110% of the principal amount of the promissory note (the "Buy Back Provision"). If the Company is unable to do so, the Company's president, Dennis Calvert, has agreed to buy back the shares on the same terms.

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If shares of Series A Preferred Stock are converted into common stock, the holder has the right to include (piggyback) the shares of common stock in a registration of securities filed by the Company (other than on Form S-4 or Form S-8).

The Company's payment obligations under the note may be accelerated upon the following events: (i) the sale of the Company's assets outside the ordinary course of business; (ii) a breach of the representations and warranties contained within the agreement evidencing the loan; (iii) the failure to timely pay the note; (iv) the Company's default in any other loan obligation greater than \$100,000; (v) the Company's dissolution, liquidation, merger, consolidation, bankruptcy, or future insolvency; and (vi) the commencement of any suit that threatens to have a material adverse effect on the Company, including the entry of a final judgment or settlement in excess of \$100,000.

In January, 2005, the Company received gross and net proceeds of \$75,000 from two outside investors and issued convertible promissory notes on substantially the same terms as the previously described notes, except the notes do not include Buy Back Provisions, and allow conversion into a total of 18,000,000 shares of common stock (at \$0.0042 per common share, rather than \$0.005 per Series A Preferred share).

On February 10, 2005, the Company amended its obligations to Dr. James Seay (the "noteholder") under its promissory note dated November 20, 2003 in the principal amount of \$50,000 and which matured on February 18, 2004. On the maturity date of the note the Company was obligated to pay the noteholder \$65,000. The Company has paid the noteholder \$30,000 and the balance of \$35,000 remains outstanding. The amendment to the note entered into on February 10, 2005, (i) extends the maturity date of the note to February 3, 2006, (ii) provides for interest to accrue at a rate of 10% per annum (15% upon default), and (iii) allows for the conversion of the note into 7,000,000 shares of the Company's common stock, or \$.005 per share.

In February, 2005, the Company received gross proceeds of \$51,000 and net proceeds of \$47,000 from four outside investors and issued convertible promissory notes on substantially the same terms as the previously described notes, except the notes do not include Buy Back Provisions, and allow conversion into a total of 5,558,036 shares of common stock (at an average of \$0.009 per common share, ranging from \$0.007 to \$0.01 per common share, rather than \$0.005 per Series A Preferred share).

All of these offerings and sales were made in reliance on the exemption from registration contained in Section 4(2) of the Securities Exchange Act and/or Regulation D promulgated thereunder as not involving a public offering of securities.

Until the Company's stockholders approve an amendment to the Company's charter to increase the number of authorized shares of common stock, the Company will be unable to fulfill its obligations to all convertible noteholders to permit the conversion into common stock of amounts due pursuant to the terms of the convertible notes. In the event that the Company has not raised further capital prior to the maturity dates of the convertible notes, the Company would

be in default of those notes if its stockholders have not formally approved an increase in the number of authorized common shares. The Company is not, at this time, in default of the convertible notes.

Item 5. Other

On July 29, 2005, the Company and the Augustine Fund finalized the terms of an amendment to the Augustine Loan and executed formal documentation, in which the parties agreed to further extend the maturity date to May 2006. In exchange, the Company issued a warrant that gives the Augustine Fund the right to purchase 8,000,000 shares of the Company's common stock at \$0.005 per share for a period of five years.

On August 1, 2005, the Company received gross and net proceeds of \$50,000 and net proceeds of \$47,500 from an individual investor and issued its convertible promissory note ("Note") due and payable one year from the date of issuance. The Note bears interest at a rate of 10% per annum, payable one year from the date of issuance. The Note can be converted, in whole or in part, into shares of the Company's common stock, at the rate of \$.016 per share, at any time prior to maturity by either the Company or the lender.

The Company's payment obligations under the Note may be accelerated upon the following events of default: (i) the Company's dissolution, liquidation, merger, consolidation, bankruptcy, or future insolvency; and (ii) the commencement of any suit that threatens to have a material adverse effect on the Company, including the entry of a final judgment or settlement in excess of \$100,000.

On, August 2, 2005, the Company received gross proceeds of \$100,000 and net proceeds of \$95,000 from an individual investor and issued a Note on the same terms as the previously described Note, except that this Note matures on August 2, 2006.

On, August 3, 2005, the Company received gross and net proceeds of \$105,000 from two individual investors and issued Notes on the same terms as the previously described Notes, except that these Notes mature on August 3, 2006.

All of these offerings and sales were made in reliance on the exemption from registration contained in Section 4(2) of the Securities Exchange Act and/or Regulation D promulgated thereunder as not involving a public offering of securities.

Until the Company's stockholders approve an amendment to the Company's charter to increase the number of authorized shares of common stock, the Company will be unable to fulfill its obligations to all convertible noteholders to permit the conversion into common stock of amounts due pursuant to the terms of the convertible notes. In the event that the Company has not raised further capital prior to the maturity dates of the convertible notes, the Company would be in default of those notes if its stockholders have not formally approved an increase in the number of authorized common shares. The Company is not, at this time, in default on any of the convertible notes.

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Item 6. Exhibits

The exhibits listed below are attached hereto and filed herewith:

Exhibit No.	Description
10.1	Unsecured Promissory Note dated March 7, 2005 in favor of Dennis Calvert. (Previously filed as an exhibit to the Quarterly Report on Form 10-QSB for the quarter ended March 31, 2004, originally filed with the SEC on March 18, 2005
10.2*	Second Amended and Restated Convertible Term Note by NuWay Medical, Inc., in favor of Augustine II, LLC
10.3*	Amendment Number 2 to Term Loan Agreement dated as of July 29, 2005 between NuWay Medical, Inc. and Augustine II, LLC
10.4*	Warrant Number AG-II to Purchase Common Stock issued July 29, 2005 in favor of Augustine II, LLC
31.1*	Certification of Chief Executive Officer of Quarterly Report Pursuant to Rule 13(a)-15(e) or Rule 15(d)-15(e).
31.2*	Certification of Chief Financial Officer of Quarterly Report Pursuant to 18 U.S.C. Section 1350
32*	Certification of Chief Executive Officer and Chief Financial Officer of Quarterly Report pursuant to Rule 13(a)-15(e) or Rule 15(d)-15(e).

* Filed Herewith.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

NUWAY MEDICAL, INC.

Date: August 4, 2005

By: /s/ Dennis Calvert

Dennis Calvert
President, Chief Executive Officer
and Interim Chief Financial Officer

EXHIBIT INDEX

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* Filed Herewith.	