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NUWAY MEDICAL INC
Form 10QSB
November 17, 2005

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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 September 30, 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)

65-0159115
(I.R.S. Employer
Identification No.)

2603 Main Street, Suite 1155
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

Indicate by check mark whether the registrant is a shell company (as
defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrant's Common Stock outstanding as of
September 30, 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 SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

ASSETS

| | September 30, 2005 (unaudited) |
|---------------------------|--------------------------------------|
| | ----- |
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 144,997 |
| Total Current Assets | 144,997 |
| TOTAL ASSETS | \$ 144,997 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---------------------------------------|--------------|
| CURRENT LIABILITIES | |
| Accounts Payable and Accrued Expenses | \$ 2,224,142 |
| Notes Payable | 2,391,070 |
| Debentures Payable, Net | 21,151 |
| Total Current Liabilities | 4,636,363 |

COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

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SHAREHOLDERS' EQUITY

| | |
|---|--------------|
| Convertible Preferred Series A, \$.00067 Par Value, 25,000,000 Shares Authorized, 559,322 Shares Issued and Outstanding at September 30, 2005 and December 31, 2004 | 375 |
| Common Stock, \$.00067 Par Value, 100,000,000 Shares Authorized, 62,371,236 and 51,981,236 Shares Issued At September 30, 2005 and December 31, 2004, respectively | 41,081 |
| Additional Paid-In Capital | 23,396,809 |
| Accumulated Deficit | (27,929,631) |
| | ----- |
| Total Shareholders' Equity | (4,491,366) |
| | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 144,997 |
| | ===== |

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY
STATEMENTS OF OPERATIONS FOR THE THREE- AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2005 AND 2004

| | Three-Months Ended September 30, 2005 | 2004 |
|--|---|-------------|
| | (unaudited) | (unaudited) |
| Revenue | ----- | ----- |
| Total Revenues | -- | -- |
| | ----- | ----- |
| Costs and Expenses | | |
| Selling, General and Administrative | 348,725 | 119,912 |
| Depreciation, Depletion and Amortization | -- | -- |
| | ----- | ----- |
| Total Costs and Expenses | 348,725 | 119,912 |
| | ----- | ----- |
| Loss from operations | (348,725) | (119,912) |
| | ----- | ----- |
| Other Income and Expense | | |
| Interest Expense | (66,521) | (48,304) |
| Other Income | -- | -- |
| | ----- | ----- |
| Net Other Expenses | (66,521) | (48,304) |
| | ----- | ----- |
| Loss Before Income Taxes | (415,246) | (168,216) |

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| | | | | |
|--|----|------------|----|------------|
| Provision for Income Taxes (Benefit) | | -- | | -- |
| Net (Loss) | \$ | (415,246) | \$ | (168,216) |
| Loss Per Common Share - Basic and Diluted | | | | |
| Net Loss per Share, rounding | \$ | (.01) | \$ | (.01) |
| Weighted Average Common Share Equivalents Outstanding | | 59,209,062 | | 47,844,475 |

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY
STATEMENTS OF STOCKHOLDERS' DEFICIT (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005

| | Preferred Stock | | Common Stock | |
|-----------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Number of Shares | Par Value \$.00067 | Number of Shares | Par Value \$.00067 |
| BALANCE DECEMBER 31, 2004 | 559,322 | 375 | 51,981,236 | \$ 34,120 |
| STOCK ISSUED FOR SERVICES | | | 10,390,000 | 6,961 |
| CONVERSION OF DEBENTURES | | | -- | -- |
| SALE OF COMMON STOCK | | | -- | -- |
| NET LOSS | | | | |
| BALANCE SEPTEMBER 30, 2005 | 559,322 | \$ 375 | 62,371,236 | \$ 41,081 |

See accompanying notes to unaudited consolidated financial statements.

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NUWAY MEDICAL, INC AND SUBSIDIARY
STATEMENTS OF CASH FLOWS FOR THE NINE MONTH PERIODS ENDING
SEPTEMBER 30, 2005 AND 2004

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| | Nine Month Sept |
|---|---------------------|
| | 2005 (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net Loss | \$ (887,745) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | |
| Issuance of Stock for Services | 103,900 |
| Amortization of Discount on Note | -- |
| Increase in Accounts Payable and Accrued Expenses | 169,872 |
| Net Cash Used In Operating Activities | (613,973) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | |
| No Cash Used In or Provided by Investing Activities | -- |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from Loans | 758,970 |
| Payments to reduce Note Payable | -- |
| Proceeds from Sale of Common Stock | -- |
| Net Cash Provided By Financing Activities | 758,970 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 144,997 |
| CASH AND CASH EQUIVALENTS - BEGINNING | -- |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 144,997 |
| 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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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 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 September 30, 2005. The Company operated as a public shell during the three- and nine-month periods ended September 30, 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. (See discussion of the letter of intent with IOWC Technologies, Inc. ("IOWC"), in Note 5.)

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, as well as to consummate the transactions with IOWC and fund the operations of the Company after the transactions are consummated. 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 maintenance requirements. If the Company is able to acquire IOWC or another 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.

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 \$415,246 and \$887,745 for the three- and nine-month periods

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ended September 30, 2005, respectively; a negative cash flow from operating activities of \$613,973 for the nine-month period ended September 30, 2005; and a stockholders' deficiency of \$27,041,886 and \$27,929,631 as of December 31, 2004 and September 30, 2005, respectively.

As of September 30, 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

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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 nine-month period ended September 30, 2005, the Company raised gross and net proceeds of \$786,120 and \$766,870, respectively, 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 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 September 30, 2005, the Company had repaid approximately \$63,000 of this loan; approximately \$38,000 principle remains outstanding.

As of September 30, 2005, the Company had accrued an expense related to the unpaid accrued compensation due its president, Mr. Calvert, in the amount of \$296,821.

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 5,000,000 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

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

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 than \$100,000; (v) the Company's dissolution, liquidation, merger,

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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) 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).

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).

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

On April 26, 2005, the Company received gross and net proceeds of \$4,000 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 \$0.007 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

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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 \$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 \$21,000 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 15, 2005, the Company's board of directors approved the issuance of 6,000,000 shares of the Company's common stock to two directors and one officer. An aggregate \$20,000 owed by the Company to two independent directors for unpaid compensation for serving on the board of directors was paid by the issuance of an aggregate 2,000,000 shares of the Company's common stock, at a share price of \$0.01 per share; and \$40,000 owed by the Company to an officer of the Company for accrued and unpaid compensation, was paid by the issuance of an aggregate 4,000,000 shares of the Company's common stock, at a share price of \$0.01 per share.

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.

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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).

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).

On August 8, 2005, the Company received gross proceeds of \$5,000 and net proceeds of \$4,500 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 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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NUWAY MEDICAL, INC. AND SUBSIDIARY NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

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. 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.

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Note 6. 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;
- 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 September 30, 2005, and we undertake no duty to update this information.

Plan of Operations

Overview

The Company had no continuing business operations as of September 30, 2005. The Company operated as a shell company during the three- and nine-month periods ended September 30, 2005, and operations primarily consisted of the Company seeking funding, maintaining the corporate entity, complying with the reporting and other requirements of the Securities Exchange Commission (the "SEC") and seeking merger and acquisition candidates or new business opportunities.

On July 25, 2005, the Company executed a binding letter of intent ("LOI") with IOWC Technologies, Inc., a federally registered Canadian corporation

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("IOWC"), pursuant to which the Company will acquire certain of IOWC's assets (the "Purchased Assets"), consisting of certain intellectual property, including

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two United States patents (collectively, the "BioLargo Technology"), and two license and/or distributor agreements pursuant to which IOWC has licensed the BioLargo Technology for use in products designed for distribution in the food, medical and biohazardous material transportation industries. All assets not constituting the Purchased Assets will remain the property of IOWC following the closing (the "Closing"). The Company will not assume any liabilities of IOWC.

In exchange for the Purchased Assets, the Company will issue shares of its common stock to IOWC equal to 51% of the Company's post-transaction issued and outstanding shares of common stock.

The parties have agreed to enter into a definitive asset purchase agreement, and other agreements, including a research and development agreement (the "R&D Agreement"), to effect the transactions (the "Transactions") on or prior to the Closing.

Additionally, prior to the Closing, the Company must raise sufficient funds to cover the costs of the Transactions, and three months post-Closing operating expenses, the latter of which is estimated at approximately \$300,000. See "Liquidity and Capital Resources" below.

Prior to the Closing, the Company is required to provide interim funding to IOWC on a best efforts basis and in amounts agreed between the parties in an aggregate amount not to exceed \$1,000,000 (the "Advance"). Upon Closing, the aggregate amount of the Advance shall be forgiven by the Company. In the event the Transactions do not close, the aggregate amount of the Advance shall be converted into stock of IOWC at a conversion price of \$1.00 per share. As of the date of the filing of this report, the Company has provided \$87,500 of such interim funding to IOWC.

At the Closing, the Company and IOWC will execute the R&D Agreement. It is contemplated that pursuant to the R&D Agreement the Company will pay IOWC a monthly fee to conduct research to further develop the existing BioLargo Technology and products based on the existing and new technologies.

Also at the Closing, the Company and Dennis Calvert, the Company's President and Chief Executive Officer, will enter into an employment agreement for a term of five years, providing Mr. Calvert with a monthly salary of \$14,000 for the remainder of 2005, and a 10% increase in his monthly salary for each calendar year beginning January 2006. The employment agreement will contain a guaranteed stock bonus and other provisions.

The Transactions are subject to approval by IOWC's board of directors and stockholders, approval by the Company's board of directors, and approval by the Company's stockholders of the following matters:

- o an amendment to the Company's Certificate of Incorporation increasing the number of authorized shares of its common stock;

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- o the issuance of the number of shares of common stock to IOWC

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required pursuant to the Transactions;

- o a reverse split of the Company's common stock; and
- o the election of Kenneth R. Code ("Code"), IOWC's principal shareholder, to the Company's board of directors.

The Closing of the Transactions is subject to various conditions, including those described hereinabove and conditions customary for transactions of this nature.

It is anticipated that the present management of the Company will remain in place after the Closing and that Code will become Chairman of the Company's Board of Directors and Chief Technology Officer. Code will enter into an employment agreement with the Company on terms to be agreed.

While the parties currently anticipate the transactions to close during the first quarter of 2006, 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 or at all.

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, including its obligations to IOWC. The Company's ability to continue as a going concern and to consummate the transactions with IOWC is dependent on the Company's ability to raise capital. If the Company is able to acquire IOWC, it will 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. The Company has commenced an offering of its convertible notes and warrants to provide such interim funding. See "Liquidity and Capital Resources" below.

Results of Operations

The Company had no revenues from continuing operations during the three- and nine-month periods ended September 30, 2005 and 2004.

Selling, General and Administrative Expense

Selling, general and administrative expenses were \$349,000 and \$716,000 for the three- and nine-month periods ended September 30, 2005, respectively, compared to \$120,000 and \$771,000 for the three- and nine-month periods ended September 30, 2004, respectively, an increase of \$229,000 in the three-month period ended September 30, 2005 and a decrease of \$55,000 in the nine-month period ended September 30, 2005. The increase in the three-month period ended September 30, 2005 is primarily attributable to an increase in consulting expenses, legal expenses, and independent director compensation, partially offset by a decrease in salaries and payroll-related expenses, and reversal of a prior period accrued liability. The decrease in the nine-month period ended September 30, 2005 is primarily attributable to a decrease in salaries and payroll expenses, legal expenses, a settlement charge and reversal of a prior period accrued liability, partially offset by an increase in consulting expenses, independent director compensation and travel.

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The largest components of these expenses were:

- a. Salaries and Payroll-Related Expenses: These expenses were \$42,000 and \$173,000 for the three- and nine-month periods ended September

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30, 2005, respectively, compared to \$52,000 and \$282,000 for the three- and nine-month periods ended September 30, 2004, respectively, a decrease of \$10,000 and \$109,000, respectively. The decrease in the three- and nine- month period ended September 30, 2005 is primarily 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 \$103,000 and \$205,000 for the three- and nine-month periods ended September 30, 2005, respectively, compared to \$5,000 and (\$62,000) for the three- and nine-month periods ended September 30, 2004, respectively, an increase of \$98,000 and \$267,000 respectively. The increase in the three-month period ended September 30, 2005 is attributable to the increase in the Company's need for outside consultants during that time. The increase in the nine-month period ended September 30, 2005 is attributable 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 \$74,000 and \$146,000 for the three- and nine-month periods ended September 30, 2005, respectively, compared to \$44,000 and \$250,000 for the three- and nine-month periods ended September 30, 2004, respectively, an increase of \$30,000 and decrease of \$104,000, respectively. The increase in the three-month period ended September 30, 2005 is primarily attributable to legal work during that period associated with the Company's financing efforts and the IOWC Transactions. The decrease in the nine-month period ended September 30, 2005 is primarily attributable to the high level of legal services required during the nine-month period ended September 30, 2004 with respect to the Premium Medical Group, Inc. ("PMG") acquisition and operations, which acquisition was later rescinded.

d. Independent Director Compensation: These expenses were \$120,000 for the three- and nine-month periods ended September 30, 2005, compared to \$0 for the three- and nine-month periods ended September 30, 2004, an increase of \$120,000 and \$120,000 respectively. The Company accrued an expense of \$120,000 in the third quarter 2005 to reflect an arrangement made with the Company's independent directors on November 14, 2005 for their 2005 compensation. In 2004, annual independent director compensation in the aggregate amount of \$120,000 was accrued in the three-month period ended December 31, 2004.

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e. Settlement Charge: These expenses were \$0 for the three- and nine-month periods ended September 30, 2005, compared to \$0 and \$163,000 for the three- and nine-month periods ended September 30, 2004, a decrease of \$0 and \$163,000, respectively. This decrease is attributable to the settlement reached in the Flight Options, Inc. litigation, in which the Company may be obligated to pay up to approximately \$163,000 to Flight Options, Inc. (See Part II, Item 1 "Legal Proceedings" below.)

f. Reversal of Accrued Liability. During the three-month period ended September 30, 2005, management reviewed the Company's accrued liabilities and reversed an accrual for rental expense of \$55,000, which it currently believes that the Company will no longer have to pay.

Net Loss

Net loss for the three- and nine-month periods ended September 30, 2005

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was \$415,246 and \$887,745, respectively, or \$(0.01) and \$(0.01) per share. Comparatively, for the three- and nine-month periods ended September 30, 2004, net loss was \$168,216, and \$967,295, respectively, or \$(0.01) and \$(0.02) per share.

Liquidity and Capital Resources

General

Cash and cash equivalents totaled \$144,997 at September 30, 2005. The Company had no revenues in the three- and nine-month periods ended September 30, 2005 and were forced to consume cash on hand to fund operations. The Company's cash position is insufficient to meet its expenses or its obligations under the LOI with IOWC to acquire the BioLargo Technology. The Company will be required to raise additional capital to sustain basic operations through the remainder of 2005 and to consummate the transactions with IOWC.

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. The Company had a net loss of \$870,784 for the nine-month period ended September 30, 2005, respectively; a negative cash flow from operating activities of \$613,973 for the nine-month period ended September 30, 2005; and a stockholders' deficiency of \$27,041,886 as of December 31, 2004, and \$27,912,670 as of September 30, 2005.

As of September 30, 2005, the Company has limited liquid and capital resources although it is seeking acquisition opportunities. These factors raise substantial doubt about the Company's 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, such as IOWC, attain a reasonable threshold of operating efficiencies and achieve profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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For the three-month period ended September 30, 2005, the Company raised an aggregate of \$270,000 gross proceeds and \$261,500 net proceeds) from five individual investors and issued convertible promissory notes due and payable one year from the date of issuance (the "Notes"). 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 a basis ranging from \$.005 to \$0.01 per share, at any time prior to maturity by either the Company or the holder. The holder has "piggyback" registration rights to include the shares of common stock in one or more registration statements filed by the Company (other than registration statements on Forms S-4 or S-8). Please see Part II, Item 2, "Changes in Securities".

On September 23, 2005, the Company commenced a private offering (the "Interim Finance Offering") of up to \$1 million of its 10% convertible notes due October 31, 2006 (the "Convertible Notes") and warrants (the "Warrants") to purchase up to 40,000,000 shares of the Company's common stock. The Convertible Notes are convertible into shares of common stock at \$.05 per share. The Warrants are exercisable at a price of \$.05 per share and expire on October 31, 2007. The Interim Finance Offering is being made to a limited number of individuals who are "accredited investors" as that term is defined by Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). As of the date of the filing of this Report, no funds

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have been received by the Company in connection with the Interim Finance Offering.

Even if the Interim Finance Offering is successful, the Company will be required to raise additional capital to sustain its operations and meet its liabilities as they become due for the next twelve months, as well as to consummate the transactions with IOWC and fund the operations of the Company after the transactions are consummated. While the Company is actively considering investment alternatives for the Company's longer-term financial requirements, there is no assurance that the Company will be able to raise any 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.

Significant debt obligations of the Company at September 30, 2005 included:

(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;

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(iii) amounts owed to Mr. Calvert personally in the aggregate amount of approximately \$335,000, as described below;

(iv) convertible promissory notes to various investors in the aggregate principal amount of \$816,000, plus accrued interest;

(v) approximately \$21,000 outstanding remaining on a settlement agreement with former convertible debenture holders; and

(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- and nine-month periods ended September 30, 2005, there was \$66,500 and \$171,000, respectively, 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

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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 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.

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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 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.

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. Accordingly, as of September 30, 2005, the principal amount of the loan, together with approximately \$541,336 in accrued but unpaid interest, had not been repaid.

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

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entity owned and controlled by the Company's president, Dennis Calvert, and certain members of his family, in March 2003.

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.

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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 September 30, 2005, the principal amount of the loan, together with approximately \$289,704 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 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 September 30, 2005, the Company had repaid approximately \$63,000 of this loan; approximately \$38,000 principle remains outstanding. As of September 30, 2005, the Company had accrued an expense related to the unpaid accrued compensation due Mr. Calvert in the amount of \$296,821.

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 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

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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.

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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 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

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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.

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. Flight Options agreed to extend the August 5, 2005 deadline to December 23, 2005, in exchange for (i) an increase of the settlement amount from \$100,000 to \$110,000, and (i) a payment of \$20,000 which is credited to the total amount due. The Company's claims against Devenshire and Mr. Sanders are being 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

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the amount of \$15,233, which had been disputed by the Company. The Company agreed to settle the lawsuit for \$9,000. The Company paid the settlement and the law firm dismissed the lawsuit.

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

On July 15, 2005, the Company's board of directors approved the issuance of 6,000,000 shares of the Company's common stock to two directors and one officer. An aggregate \$20,000 owed by the Company to two independent directors for unpaid compensation for serving on the board of directors was paid by the issuance of an aggregate 2,000,000 shares of the Company's common stock, at a share price of \$0.01 per share; and \$40,000 owed by the Company to an officer of the Company for accrued and unpaid compensation, was paid by the issuance of an aggregate 4,000,000 shares of the Company's common stock, at a share price of \$0.01 per share.

On July 21, 2005, the Company received gross proceeds of \$10,000 and net proceeds of \$9,500 from an outside 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.

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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 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 outside investor and issued convertible promissory note on substantially the same terms as the previously described Note.

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 convertible promissory note on substantially the same terms as the previously described Note.

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.

On August 8, 2005, the Company received gross proceeds of \$5,000 and net proceeds of \$4,500 from an individual investor and issued convertible promissory note on substantially the same terms as the previously described Note.

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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 6. Exhibits

The exhibits listed below are attached hereto and filed herewith:

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| Exhibit No. ----- | Description ----- |
|----------------------|--|
| 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). |

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: November 16, 2005

By: /s/ Dennis Calvert

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

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EXHIBIT INDEX

| Exhibit No. ----- | Description ----- |
|----------------------|--|
| 31.1 | Certification of Chief Executive Officer of Quarterly Report |

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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).

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