

MAZAL PLANT PHARMACEUTICALS, INC.

**CONDENSED UNAUDITED
FINANCIAL STATEMENTS**

AS OF DECEMBER 31, 2009

MAZAL PLANT PHARMACEUTICALS, INC.

**UNAUDITED
FINANCIAL STATEMENTS**

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Mazal Plant Pharmaceuticals, Inc.

*Mazal Plant Pharmaceuticals, Inc.
Balance Sheet - Unaudited
December 31, 2009*

ASSETS		LIABILITIES & STOCKHOLDERS' EQUITY	
<i>Other Current Assets:</i>		<i>Current Liabilities:</i>	
Technology Rights	\$50,700	Accounts Payable	\$83,358
Total Other Current Assets	50,700	Total Current Liabilities	83,358
Total Current Assets	50,700	<i>Other Current Liabilities:</i>	
		Due to Avi Harris	8,800
		Due to Bill Myler	10,000
		Due to CJ Lieberman	189,750
		Due to David Lieberman	5,000
		Due to Malcom Jennings	50,000
		Due to Sam Berkovitz	2,000
		Total Other Current Liabilities	265,550
		Total Current Liabilities	348,908
		Total Liabilities	348,908
		<i>Stockholders' Equity</i>	
		Common, \$0.0001 par value; 100,000,000 shares authorized; 40,529,556 shares issued and outstanding	6,009,085
		Additional Paid-in Capital - Common	
		Additional Paid-in Capital - Preferred	
		Retained Earnings	(6,456,188)
		Treasury Stock	
		Common Dividends	
		Preferred Dividends	
		Net Income (Loss)	148,895
		Total Stockholders' Equity	(298,208)
Total Assets	\$50,700	Total Liabilities & Stockholders' Equity	\$50,700

Note: Any profits are due to write-offs and exceptional items during the period and not trading income

<i>Mazal Plant Pharmaceuticals, Inc.</i>								
<i>Statement of Changes in Stockholders' Equity - Unaudited</i>								
<i>For the Period June 30, 2006 to December 31, 2009</i>								
		Preferred Stock		Common Stock		Additional	Accumulated	
		Shares	Amount	Shares	Amount	Paid-in Capital	Defecit	Total
Balance, June 30, 2006		NIL		38,180,500	\$4,755,810		(\$6,456,188)	(\$1,700,378)
Common Shares Issued				2,349,056	\$1,253,275			\$1,253,275
Preferred Shares Issued		NIL						
Reclassify Redeemable Equity Shares								
Prior Period Adjustment								
Net Profit/(Loss) for Period							\$148,895	\$148,895
Balance, December 31, 2009		NIL		40,529,556	\$6,009,085		(\$6,307,293)	(\$298,208)
Note: Any profits are due to write-offs and exceptional items during the period and not trading income								

PREVIOUS BALANCE SHEET

September 30, 2007

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,143,690
Trade receivables	337,639
Other receivables and prepaid expenses	112,489
Inventories, net of advances	<u>241,388</u>

1,835,206

LONG-TERM ASSETS:

Deposit in respect with long-term lease	12,816
Severance pay fund	<u>141,781</u>
	<u>154,597</u>

PROPERTY AND EQUIPMENT, NET

97,167

\$ 2,086,970

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

CURRENT LIABILITIES:

Trade payables	\$ 564,738
Other payables and accrued expenses	1,301,119
Related parties	34,299
Customers advances	<u>135,000</u>

2,035,156

LONG-TERM LIABILITIES:

Convertible loan	357,500
Accrued severance pay	<u>232,837</u>

590,337

SHAREHOLDERS' DEFICIENCY

Common shares of \$0.001 par value, authorized - 80,000,000 shares, issued and outstanding – 36,632,642 shares	36,633
Additional paid in capital	10,028,682
Accumulated deficit	<u>(10,603,838)</u>

Total shareholders' deficiency (538,523)

\$ 2,086,970

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

In U.S. Dollars

Note 1 - GENERAL

- A. Mazal Plant Pharmaceuticals, Inc. ("the Company" or "Mazal"), a Nevada corporation, incorporated in 2005, is a biotech company specializing in whole plant pharmaceutical therapies and platforms for the pharmaceutical industries. The Company has authorized the issuance of 100,000,000 shares of Common Stock and 1,000,000 preferred shares.

Item 1. Description of Business

Company History

Mazal Plant Pharmaceuticals, Inc. was originally organized under the laws of the State of Colorado on April 9, 1998. Our only activity prior to June 6, 2005 had been attempts to locate and negotiate with a business entity for the merger of that target company into the predecessor of Mazal. Our operations consisted solely of seeking merger or acquisition candidates, and we had no business operations or revenues.

On June 6, 2005, we underwent a change in control and adopted the current focus of our business, which is the development, manufacture and supply of plant based pharmaceuticals. We are dedicated to using whole plants in order to develop healthier natural pharmaceuticals for the treatment of human diseases.

As discussed above, on June 6, 2005, we acquired a majority interest in Delaware Mazal pursuant to the Share Exchange Agreement. On June 6, 2005, a majority of our common stock was acquired by Advanced Plant Pharmaceuticals, Inc., a Delaware corporation, pursuant to the Share Exchange Agreement among Advanced Plant Pharmaceuticals, Inc., Akid Corporation, and James B. Wiegand, who was one of our principals at the time. Pursuant to the Share Exchange Agreement, we agreed to issue to Advanced Plant Pharmaceuticals, Inc. 20,000,000 shares of our common stock which represented 94.21 % of our issued and outstanding common stock. In exchange, Advanced Plant Pharmaceuticals, Inc. transferred to us 7,000,000 shares of the common stock of Mazal Plant Pharmaceuticals, Inc., a Delaware corporation (the "Delaware Mazal"), which represented 68.5% of the issued and outstanding shares of the Delaware Mazal. For accounting purposes, such transaction is characterized as a reverse merger between the Delaware Mazal and us. Since such change in control, we, through Delaware Mazal, engage in the development, manufacture, and distribution of plant-based pharmaceutical drugs for the treatment of various human illnesses.

On November 9, 2005, we changed our State of incorporation from Colorado to Nevada by the merger of the Company with and into its wholly owned subsidiary, Mazal Plant Pharmaceuticals, Inc., a Nevada corporation. As a result of such merger, our name was changed to Mazal Plant Pharmaceuticals, Inc. in order to better reflect our business operations.

Principal Products and their Markets

The Company's lead drug candidate, MAHDL-01, is a drug designed to improve cholesterol levels in individuals with unbalanced cholesterol levels. We are also considering developing plant-based drugs for the treatment of diabetes and Alzheimer's disease. Independent research published in the scientific literature has documented a link between low HDL levels and an increased incidence of diabetes including that an increase in HDL levels lowers the risk of diabetes. Based on such literature, we are planning on conducting clinical studies

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with MAHDL-01 and with other versions of MAHDL-01 that are specifically designed to help combat diabetes. However, research into the company's drugs for diabetes is in its preclinical phases and further research depends on our capability in funding such research.

In addition, we intend to develop the capabilities necessary to become a world supplier of pharmaceutical-grade medicinal plants for the nutraceutical, homeopathic, and plant pharmaceutical markets.

MAHDL-01 is a drug consisting of various combinations of herbs. In order to understand how MAHDL-01 works, it is important to understand that cholesterol levels can be improved by either directly lowering bloodstream levels of low-density lipoprotein, also known as "LDL" or "bad" cholesterol, or by raising bloodstream levels of high-density lipoprotein, also known as "HDL" or "good" cholesterol. HDL extracts cholesterol particles from the cholesterol deposits attached to arterial walls and transports them to the liver, where they are disposed of by the body. HDL also interferes with the accumulation of LDL cholesterol deposits on the arterial walls. The risk of atherosclerosis and heart attacks in both men and women is strongly related to HDL levels. High HDL levels are associated with a lower risk. The lowering of levels of triglycerides in the bloodstream also has a positive effect on cholesterol levels. It is our hope that our MAHDL-01 drug balances cholesterol levels by improving the human body's metabolic processes that naturally improve cholesterol levels by both increasing HDL cholesterol levels and lowering triglyceride levels in the body.

There is a large potential market for a safe and effective treatment for elevated cholesterol levels. Cardiovascular diseases are among the leading causes of death worldwide, and high blood cholesterol (Hypercholesterolemia) is one of the major risk factors for heart disease. Elevated LDL cholesterol in the bloodstream collects on the walls of the arteries and causes the flow of blood to the heart to be blocked.

Distribution Methods of the Products

We are currently searching for opportunities to enter into a joint venture with a major pharmaceutical distribution company that already has the resources and capabilities required to distribute our products throughout the United States and internationally. Specifically, we are looking for a joint venturer who will provide the following services:

- Complete the development of MAHDL-01;
- Submit the required documentation to the Food and Drug Administration and secure approval for MAHDL-01;
- Support MAHDL-01 with pre-launch, launch and ongoing marketing and support activities commensurate with the sales potential; and
- Dedicate and manage a sales force of sufficient numbers to maximize the international market potential for MAHDL-01

Such joint venturer can be either a branded pharmaceutical company (perhaps one with a drug whose patent rights are running out shortly) or, alternatively, one of the major pharmaceutical generic manufacturers looking for its own brand.

Initial Studies, IND, Phase I and Phase II clinical trials

Initial studies have shown a promising trend on cholesterol levels without major side effects therefore we applied for an IND from the FDA to do a Phase I/II clinical trial to prove efficacy.

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An IND filed with the FDA with respect to MAHDL-01 is presently effective. The IND for MAHDL-01 was submitted on April 8, 2005, and approved on June 2, 2005. MAHDL-01 has been approved by the FDA for Phase I and Phase II clinical trials. The FDA made some comments and requests for additional information. These comments and requests do not have major implications for conducting the clinical trials.

We estimate that the Phase I/II clinical trials will take one year from enrolment to analysis of all statistical data. The ingredients that make up MAHDL-01 are all from the GRAS (generally regarded as safe) list of the FDA. The company is inquiring as to the cost of clinical trial insurance for a drug that is made up wholly of GRAS ingredients.

On November 17, 2005, the Company executed a Letter of Intent to enter into a possible joint venture with Punzi Medical Center ("PMC") in connection with the performance of the Phase II and Phase III human clinical trials of MAHDL-01. Subject to the terms and conditions of the agreement, PMC will (a) fund all costs and expenses incurred in connection with the clinical trials, (b) make its facilities available for the conduct of the clinical trials, and (c) provide consulting services to the Company with respect to the conduct of the clinical trials and their approval by the FDA. In consideration for the obligations of PMC, the Company will pay royalties equal to an agreed upon percentage of the net revenues generated by any sales of MAHDL-01 to PMC during an agreed upon time period following the FDA's final approval. To date, this Letter of Intent has not been acted upon. Pending raising of funds, the Letter of Intent will be renegotiated.

On July 31, 2006, we entered into an Interim Letter of Agreement with Dr. Veronica Motiran for a Phase I/II, double-blind, placebo and active controlled, randomized, parallel-group study to evaluate the safety and efficacy of MAHDL-01 alone and as an adjunct to statin therapy, versus placebo or statin therapy alone, in increasing HDL in subjects with hypoalphalipoproteinemia. The studies shall be conducted at the Neuro Psychiatric Center of the Palm Beaches, Boynton Beach, FLA. The agreement calls for a minimum number of subjects of ten and a maximum of four hundred. Dr. Veronica Motiran will receive \$2,500 per subject who completes the study, where fifty percent (50%) will be paid in cash and the remaining fifty percent (50%) will be paid in shares of the Company's common stock. To date, this Letter of Intent has not been acted upon. Pending raising of funds, the Letter of Intent will be renegotiated.

Competition

Our product is designed to be a whole plant pharmaceutical attractive to the natural supplement marketplace. We are engaged in a rapidly changing field characterized by rapid technological change, new and improved product introductions, changes in regulatory requirements and evolving industry standards. Other products and therapies that will compete directly with the products that we are seeking to develop currently exist or are being developed. We expect competition from fully integrated pharmaceutical companies and more established companies to be intense and to increase. These companies have significantly greater financial resources and expertise in discovery and development, manufacturing, preclinical and clinical testing, obtaining regulatory approvals and marketing than we do. Many of our competitors have significant products that have been approved or are in development and operate large, well-funded discovery and development programs. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for therapeutic products and clinical development and marketing. We have none of these resources. In addition, we will face competition based on product efficacy and safety, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, pricing and barriers from patent positions of

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larger companies. We do not have any experience in these areas at this time and therefore we are at a competitive disadvantage.

Currently, the most widely used drugs that reduce elevated LDL is a group of drugs known as Statins. Statins include atorvastatin (Lipitor), rosuvastatin (Crestor), simvastatin (Zocor), and pravastatin (Pravachol). However, we believe that we may have a competitive advantage over Statins because Statins have significant side effects, including abdominal pain, muscle inflammation and liver abnormalities. In addition, although these drugs lower LDL levels significantly, they do not appreciably affect HDL or triglyceride levels.

Many of the Statins are nearing the end of their patent protection and drug companies are scrambling to combine their statin drug with another drug in order to extend their patent protection. MAHDL can be a strong candidate, as it complements Statins by raising HDL levels while the Statins lower the LDL levels.

Niacin is the most widely used drug that is used for the purpose of raising HDL levels. However, up to 88% of patients experience flushing or hot flashes as a side effect of Niacin, and there are other side effects as well. Fibrates such as Lipid are successful in lowering triglycerides.

In addition, there are legions of natural dietary supplements sold as nutraceuticals that claim to lower cholesterol. These over-the-counter supplements range from fish oil (omega-3 fatty acids) to garlic, and from curcumin (turmeric) and guggul (gum resin) to Chlorella (microalgae), cinnamon, calcium citrate, and pantethine (vitamin B-6), amongst others. The clinical effects of these dietary supplements are controversial, and for the most part are undocumented and unproven.

MAHDL-01 can be marketed as a whole plant medicine, and attract that part of the marketplace interested in natural plant substances.

Once MAHDL-01 has successfully passed Phase II clinical trials, we intend to form a strategic partnership for co-development and co-marketing with a major player in the market in order to maximize the sales opportunity for MAHDL-01. Specifically, we are looking for a partner who will help perform the following activities:

- Complete the development program;
- Submit the required documentation to FDA and secure approval for the product;
- Support the product with pre-launch, launch and ongoing marketing and support activities commensurate with the sales potential; and
- Dedicate and manage a sales force of sufficient numbers to maximize the international market potential for MAHDL

Sources and Availability of Raw Materials; Names of Principal Suppliers

Active pharmaceutical ingredients and other materials and supplies that we use in our operations are generally available and purchased from many different foreign and domestic suppliers. We will outsource farming to existing producers according to our specifications. MAHDL-01 is to be manufactured using qualified raw material suppliers, outsourced powder facilities and a formulation plant, all working in compliance with good manufacturing practices. We have not finalized these operations as we are in negotiations with a quality control consultant to qualify these facilities.

Additionally, we maintain sufficient raw materials inventory and are developing the capability to farm many of the plants we use as raw materials. However, there is no guarantee that we

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will always have timely and sufficient access to a critical raw material or finished product. A prolonged interruption in the supply of a single-sourced active ingredient or finished product could cause our financial position and results of operations to be materially adversely affected.

Intellectual Property

We have secured a U.S. patent for a version of MAHDL-01 known as Drug Formulation 1. Such patent will expire in 2013. In March 2005, we filed a U.S. patent application for another version of MAHDL-01, and such application is still pending. There can be no assurance that the pending patent application will result in issued patents, that patents, trademarks or trade names issued to us will not be challenged or circumvented by competitors, or that such patents, trademarks or trade names will be found to be valid or sufficiently broad to protect our proprietary technology or to provide us with a competitive advantage.

Governmental Regulation

Our product is subject to extensive governmental regulation, including the Federal Food, Drug, and Cosmetic Act, as amended, the Public Health Service Act, also as amended, as well as other federal, state, and local statutes and regulations. These laws, and similar laws outside the U.S., govern the clinical and non-clinical testing, manufacture, safety, effectiveness, approval, labeling, distribution, sale, import, export, storage, record keeping, reporting, advertising and promotion of our products, if approved. Violations of regulatory requirements at any stage may result in various adverse consequences, including regulatory delay in approving or refusal to approve a product, enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Any product that we develop must receive all relevant regulatory approvals or clearances before it may be marketed.

The regulatory process, which includes extensive pre-clinical testing and clinical trials of each clinical candidate to study its safety and efficacy, is uncertain, takes many years and requires the expenditure of substantial resources. We cannot assure you that the clinical trials of our product candidates under development will demonstrate the safety and efficacy of those product candidates to the extent necessary to obtain regulatory approval.

Food and Drug Administration

Our product is subject to regulation by the Food and Drug Administration (the "FDA") and other authorities. The activities required by the FDA before a product such as MAHDL-01 may be marketed in the United States are generally performed in the following sequential steps:

1. Pre-clinical testing. This includes laboratory testing of our products in animals to determine safety, efficacy and potential toxicity. Pre-clinical studies must be conducted by laboratories that comply with FDA regulations regarding good laboratory practice.
2. Submission to the FDA of an IND. The results of pre-clinical studies, together with manufacturing information, analytical data and proposed clinical trial protocols, are submitted to the FDA as part of an IND, which must become effective before the clinical trials can begin. Once the IND is filed, the FDA has 30 days to review it. The IND will automatically become effective 30 days after the FDA receives it, unless the FDA indicates prior to the end of the 30-day period that the proposed protocol raises concerns that must be resolved to the FDA's satisfaction before the trials may proceed. If the FDA raises concerns,

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we may be unable to resolve the proposed protocol to the FDA's approval in a timely fashion, if at all.

3. Completion of clinical trials. Human clinical trials are necessary to obtain approval for a new drug or biological product and typically involve a three-phase process. In Phase I, small clinical trials are generally conducted to determine the safety of the product. In Phase II, clinical trials are generally conducted to assess safety, acceptable dose, and gain preliminary evidence of the efficacy of the product. In Phase III, clinical trials are generally conducted to provide sufficient data for the statistically valid proof of safety and efficacy. Clinical trials must be conducted according to good clinical practices under protocols that detail the trial's objectives, inclusion and exclusion criteria, the parameters to be used to monitor safety and the efficacy criteria to be evaluated, and informed consent must be obtained from all study subjects. Each protocol must be submitted to the FDA as part of the IND. The FDA may impose a clinical hold on an ongoing clinical trial if, for example, safety concerns arise, in which case the study cannot recommence without FDA authorization under terms sanctioned by the agency. In addition, before a clinical trial can be initiated, each clinical site or hospital administering the product must have the protocol reviewed and approved by an independent institutional review board ("IRB"). The independent IRB will consider, among other things, ethical factors and the safety of human subjects. The independent IRB may require changes in a protocol, which may delay initiation or completion of a study. Phase I, Phase II or Phase III clinical trials may not be completed successfully within any specific period of time, if at all, with respect to any of our potential products. Furthermore, we, the FDA or an independent IRB may suspend a clinical trial at any time for various reasons, including a finding that the healthy individuals or the patients are being exposed to an unacceptable health risk.

4. Submission to the FDA of a New Drug Application ("NDA"). After completion of clinical studies for a biological product, a New Drug Application ("NDA") is submitted to the FDA for product marketing approval. No action can be taken to market any new drug or biologic product in the United States until the FDA has approved an appropriate marketing application.

5. FDA review and approval of the NDA before the product is commercially sold or shipped. The results of pre-clinical studies and clinical trials and manufacturing information are submitted to the FDA in the form of an NDA for approval of the manufacture, marketing and commercial shipment of the product. The FDA may take a number of actions after the NDA is filed, including but not limited to, denying the NDA if applicable regulatory criteria are not satisfied, requiring additional clinical testing or information; or requiring post-market testing and surveillance to monitor the safety or efficacy of the product. Adverse events that are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, can result in product liability claims against us.

Medicaid and Medicare

Medicaid, Medicare and other reimbursement legislation or programs govern reimbursement levels and require all pharmaceutical manufacturers to rebate a percentage of their revenues arising from Medicaid-reimbursed drug sales to individual states.

Environment

We believe that our operations comply in all material respects with applicable laws and regulations concerning the environment. While it is impossible to predict accurately the

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future costs associated with environmental compliance and potential remediation activities, compliance with environmental laws is not expected to require significant capital expenditures and has not had, and is not expected to have, a material adverse effect on our earnings or competitive position.

Product Liability

The sale of pharmaceutical products can expose the manufacturer of such products to product liability claims by consumers. A product liability claim, if successful and in excess of our insurance coverage, if any, could have a material adverse effect on our financial condition.

Employees

We have four part-time employees in administration and two part-time employees in operations

RISK FACTORS**Going Concern**

Our independent registered public accountants have expressed substantial doubt about our ability to continue as a going concern and if we fail to produce revenues we may fail in our business, cease operations, and you may lose your entire investment.

Our independent registered public accountants have audited our financial data and information and rendered a statement that they have substantial doubt about our ability to continue as a going concern for the following reasons:

- we have limited financial resources and we have an accumulated deficit of \$6,456,188 since inception until December 31, 2009;
- we have negative working capital of \$298,208 as of December 31, 2009;
- our ability to obtain capital and operate successfully is uncertain.

Risks Related to Our Business

Since we are at an early stage of development, we have not completed the development of any product and we have not begun to market or generate revenues. We do not anticipate generating any revenue in the foreseeable future. If we are unsuccessful in completing the developing and marketing of our products, our securities will be worthless.

We are at an early stage of development. Our operations to date have consisted primarily of developing and testing our MAHDL-01 product. MAHDL-01 will require significant additional clinical testing and investment prior to commercialization. A commitment of substantial resources by us and/or future collaborative partners to conduct time-consuming research and clinical trials will be required if we are to complete the development of MAHDL-01. We do not know if we will be able to complete these tasks. We do not expect MAHDL-01 to be commercially available for several years. Accordingly, we do not know if and when we will generate revenues from MAHDL-01. Because of these uncertainties, we might never generate enough revenue to allow shareholders to recoup and profit from their investment.

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In U.S. Dollars

Since we have a history of operating losses and expect expenses and losses to increase in the near term, we do not know if we will ever become profitable or that our investors will ever recoup or profit from their investment in our shares.

From the date of incorporation to December 31, 2005, our accumulated deficit is \$ 4,365,110. Since inception we have earned no revenues from the sale of any of our product candidates. We expect expenses and losses to increase in the near term as we fund research and development and general and administrative expenses. We expect to continue to incur substantial operating losses unless and until product sales and royalty payments generate sufficient revenues to fund continuing operations. As a result, investors might never recoup their investment or profit from their investment in our shares.

Since our success is dependent on the commencement and completion of clinical trials, regulatory approval and introduction of our products into the market, and since we have completed none of the tasks at this time, we do not know if we will be able to complete them.

The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process, and the inability to establish on favorable terms the collaborative partnerships that we plan to use for the completion of our clinical trials and the marketing and manufacturing of our product candidates. We might not be able to complete the clinical trials involving MAHDL-01, to make the necessary regulatory submissions, or to gain regulatory approvals necessary for marketing our products. Our failure to achieve these objectives will mean that investors will not be able to recoup their investment or to receive a profit on their investment.

We will continue to require substantial additional funds for further research and development, planned clinical trials and regulatory approvals. We might not be able to obtain additional funding on acceptable terms, if at all. Without additional funding, we will fail.

We will require substantial additional funds for further research and development, the conduct of our Phase I/II clinical trials for MAHDL-01 and regulatory approvals. Our planned cash requirements may vary materially in response to a number of factors, including research and development on our products, the progress of our Phase II/III clinical trials and the results of those trials, changes in any aspect of the regulatory process, and delays in obtaining regulatory approvals. We may seek further funding through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies or from other sources. Further equity financings may substantially dilute shareholders' investment in our shares. If we cannot obtain the required additional funding, then investors will not be able to recoup their investment or to profit from their investment.

Since we rely substantially on our ability to patent our intellectual property or maintain our proprietary information as trade secrets in developing our products, our success will depend on our ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or preventing third parties from circumventing our rights. As described below, there is considerable uncertainty about our intellectual property rights. If we are unsuccessful in establishing the validity of our intellectual property rights, we will likely fail as a company and our securities will be worthless.

We have secured a U.S. patent in a version of MAHDL-01 known as Drug Formulation 1. Such patent will expire in 2013. In March 2005, we filed a U.S. patent application for another version of MAHDL-01, and such application is still pending. We also plan to file foreign

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patent applications. These steps we have taken and will continue to take to protect our intellectual property may not prevent the misappropriation of our proprietary information and technologies. The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. We are uncertain whether:

- any of our patent applications will result in the issuance of patents;
- we will develop additional proprietary products that are patentable;
- the patent already issued to us will provide us with any competitive advantages;
- we will be challenged by third parties on the validity of our patents;
- the patents of others will impede our ability to do business;
- third parties will be able to circumvent our patents;
- third parties will independently develop similar products that will not infringe our products;
- third parties will duplicate any of our products not covered by a patent; or
- third parties will design around our patents.

Since patent applications in the United States are maintained in secrecy until the patent is issued or foreign counterparts, if any, published and, since publication of discoveries in the scientific or patent literature often lag behind actual discoveries, we do not know if there are currently pending applications that would result in issued patents that would interfere with MAHDL-01. Moreover, we might have to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial cost to us, even if the eventual outcome is favorable to us.

Much of our know-how and technology might not be patentable. To protect our rights, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. However, these agreements might not provide meaningful protection for trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

We intend to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of MAHDL-01. We will not have control over how they perform their contractual obligations. Accordingly, we will suffer if they do not fulfill their contractual obligations.

We intend to enter into agreements to develop and commercialize MAHDL-01. We might not be able to establish collaborations on favorable terms, if at all, or that future collaborative arrangements will be successful. In addition, third party arrangements may require us to grant certain rights to third parties, including exclusive marketing rights to one or more products, or may have other terms that are burdensome to us.

These arrangements may place responsibility on these future collaborative partners for Phase III clinical trials, human clinical trials, the preparation and submission of applications for regulatory approval, or for marketing, sales and distribution support for product commercialization. These third parties might not fulfill their obligations in a manner which maximizes our revenues. These arrangements may also require us to transfer certain material rights or issue equity securities to corporate investors, licensees and others. If we license or sublicense our commercial rights to others we might realize reduced product revenue compared to our direct commercial exploitation. Moreover, we might not derive any revenue or profit from these arrangements.

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In addition, we have no direct experience in marketing, sales or distribution, and we do not intend to develop a sales and marketing infrastructure to commercialize pharmaceutical products. If we develop products eligible for commercial sales, we intend to rely on third parties such as licensees, collaborators, joint venture partners or independent distributors to market and sell these products. We might not be able to obtain access to a marketing and sales force with sufficient technical expertise and distribution capability. We also will not be able to control the resources and effort that a third party will devote to marketing our product candidates. If we are unable to develop and maintain relationships with third parties with the necessary marketing and sales force, we may fail to gain market acceptance of our product candidates, and our revenues could be impaired.

We depend upon our key personnel and they would be difficult to replace.

We believe that our success will depend on the continued employment of our senior management team and key sales and technical personnel. If one or more members of our senior management team were unable or unwilling to continue in their present positions, our business would suffer.

Risks Related to Our Industry

Because the manufacture and marketing of human pharmaceutical products requires the approval of the Food and Drug Administration in the United States and similar agencies in other countries, and since we do not yet have such approval, shareholders are at risk that we will be unable to successfully develop and market our products. We have not yet established that our products will be safe and effective through clinical trials.

The manufacture and marketing of human pharmaceutical products in the United States and other countries require the approval from the United States Food and Drug Administration and other similar foreign regulatory agencies. The process that our pharmaceutical product candidates must undergo to obtain these approvals includes preclinical testing and clinical trials to demonstrate safety and efficacy. For example, we are about to commence Phase I/II clinical trials for MAHDL-01. Such process is expensive and time consuming. Investors are at risk that we will be unable to successfully develop future products, prove safety and effectiveness in clinical trials, or receive applicable regulatory approvals.

Regulatory authorities have the power to withdraw a previously approved product from the market upon a change in regulations or upon receipt of newly discovered information and/or require additional, and potentially expensive, additional testing. Since we have no history with our products, we might face such newly discovered information that comes to light after initial approval of our products.

Unanticipated changes in existing regulations or the adoption of new regulations could adversely affect the development, manufacture and marketing of our products. Since we have no operating history, ongoing government regulation could cause unexpected delays and adversely impact our business in areas where our inexperience might lead to failure in complying with applicable requirements. Such failure to comply might also result in criminal prosecution, civil penalties, recall or seizure of products, or partial or total suspension of production. Any of these penalties could delay or prevent the promotion, marketing or sale of our products. Furthermore, the laws, regulations, policies or current administrative practices of any governmental body, organization or regulatory agency in the United States or any other jurisdiction, might be changed, or applied or interpreted in a manner which will fundamentally alter the ability of us or our collaborative partners to develop, operate, export or market the products or services which we may provide. We do not have lobbying or other

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resources to affect the course of such changes. If such future changes have an adverse impact on our products or their manufacture and marketing, the likelihood of our success could be damaged.

If our competitors succeed in developing competing products earlier than we do, in obtaining regulatory approvals for such products more rapidly than we do, or in developing products that are more effective or less expensive than the products we develop, we will have difficulty competing with them.

Since our competitors keep this type of information confidential, we do not know where they stand in developing competing products. As a result, we might be using our resources to develop products that will face such competition from our competitors and our products might not be successful in the marketplace. Our future success depends on our ability to timely identify new market trends and develop, introduce and support new and enhanced products on a successful and timely basis. We might not be successful in developing or introducing to the market our products. If we fail to develop and deploy new products on a successful and timely basis, we will be non-competitive and unable to recoup the research and development and other expenses we incur to develop and test new product candidates.

Even if MAHDL-01 or another of our products is approved for sale by the regulatory authorities, we have not yet demonstrated any market acceptance and the product might not gain market acceptance among physicians, patients, healthcare payers and the medical community.

The degree of market acceptance will depend on a number of factors, including:

- demonstration of the clinical efficacy and safety of each product;
- cost-effectiveness;
- potential advantage over alternative treatment methods;
- the effectiveness of marketing and distribution support for each product; and
- reimbursement policies of government and third party payers.

If our product candidates do not achieve significant market acceptance, our business and financial condition will be materially adversely affected.

Our success may depend in part on the extent to which reimbursement for the cost of our products will be available from government health administration authorities, private health coverage insurers and other organizations, since potential customers might not use our products if such reimbursement is not available.

At the present time, we have not established that such governmental authorities or non-governmental providers will reimburse physicians and patients for the use of our products. Recently, the prices of medical products and services have increasingly been examined and challenged by third parties and consumers of such products and services. We anticipate that new federal or state legislation will be proposed to attempt to provide broader and better health care and to manage and contain costs. Since we have not yet established reimbursement coverage, we face significant uncertainty as to the reimbursement status of newly approved health-care products and whether third party reimbursement will be available at price levels sufficient for us to realize our desired returns.

Since we will be administering our products in human clinical trials and thereafter to patients, we will be subject to potential product liability risks which are inherent in the testing, manufacturing, marketing and sale of therapeutic products.

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Our clinical studies will include trials on humans. For example, the Phase I/II trials create a risk of liability for serious side effects to participants resulting from an adverse reaction to the products being tested or resulting from negligence or misconduct and the associated adverse publicity. We manage our liability risks by trying to follow proper protocols and through product liability insurance. We intend to purchase liability insurance for clinical trials at the time we begin such trials. Such insurance is expensive and difficult to obtain. In the future, insurance coverage might not be available to us on acceptable terms, if at all. If we are unable to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims we might not be able to commercialize our products. If we face a future product liability claim or a product withdrawal, we will suffer a material adverse effect on our financial condition.

Item 2. Properties.

The Company's corporate offices are located in 770 Flager Drive, West Palm Beach, Florida. The Company also leases offices at Beit Ofer, 3rd Floor, 5 Nachum Chaf Tzadi, Jerusalem, Israel.

Item 3. Legal Proceedings.

To date, the Company is not involved in any pending litigation, nor is the Company aware of any pending or contemplated proceedings against it. The Company knows of no legal proceedings pending or threatened, or judgments entered against any of its directors or officers in their capacity as such.

Item 4. Submission of Matters to a Vote of Security Holders.

On October 31, 2005, our stockholders held a special meeting in order (i) to change the name of the Company, (ii) the state of our incorporation from Colorado to Nevada, (iii) increase our authorized common stock from 20,000,000 shares to 100,000,000 shares and to authorize a class of 1,000,000 shares of preferred stock.

11,390,000 voted in favor of each of the above mentioned resolutions and there were no votes withheld, or voted against the resolutions at the meeting.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared as of September 30, 2007, in accordance with United States generally accepted accounting principles relating to the preparation of financial statements for interim periods. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the Company's audited annual financial statements accompanying notes as of December 31, 2009 and for the year then ended. Operating results for the nine-month and three-month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

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Note 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- A. Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainties in Income Taxes" ("FIN 48").

The Company and its subsidiary file U.S. federal income tax returns as well as income tax returns in Israel and as such may be subject to examination by the Internal Revenue Service ("IRS") for calendar years since inception through 2006. Additionally, any net operating losses that were generated in prior years may also be subject to examination and reduction by the IRS.

The adoption of FIN 48 resulted in a write-off of the deferred tax asset and the respective valuation allowance with respect to the net operating losses for tax purposes of the Company, with no impact on the balance sheet of the Company.

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