FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

X . QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 000-54296

AXIM Biotechnologies, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**27-4029386**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

18 E 50th St 5th Floor, New York, NY 10022

(Address of principal executive offices)

(212) 751-0001

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has 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 X .

Indicate by check mark whether registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). No X .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer .	Accelerated filer .	Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes . No .

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 51,492,659 shares of common stock, par value $0.0001 per share, outstanding as of November 21, 2016.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AXIM BIOTECHNOLOGIES, INC.

AXIM BIOTECHNOLOGIES, INC.
(Formerly AXIM International, Inc.)
Condensed Consolidated Balance Sheets

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 870,633	$ 134,170
Inventory	151,058	200,784
Reservation fee deposit	65,170	65,170
Prepaid expenses	62,178	777,657
Loan receivable	5,000	5,000
Total current assets	1,154,039	1,182,781
Property and equipment, net of accumulated depreciation of $3,636 and $1,119, respectively.	13,144	15,661
Other Assets:		
Acquired intangible asset - intellectual property licensing agreement, net	63,167	63,167
Total other assets	63,167	63,167
TOTAL ASSETS	$ 1,230,350	$ 1,261,609
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 337,607	$ 324,014
Due to shareholder	5,000	5,000
Convertible loan	-	50,000
Due to first insurance funding	45,644	22,964
Derivative Liability (see note 9)	1,062,500	-
Due to related party	1,619,067	1,085,910
Promissory note - related party (including accrued interest of $80,835 and $57,726 respectively)	1,080,835	1,057,726
Total current liabilities	4,150,653	2,545,614
Long-term liabilities:		
Convertible note payable due to shareholder including accrued interest of $394 and $0, respectively	45,394	-
Convertible notes payable due to shareholder including accrued interest of $1,240 and $0, respectively net of unamortized debt discount of $847,313 and $0, respectively (see note 9)	3,927	-
Convertible note payable due to shareholder (including accrued interest of $2,457 and $11,197, respectively)	267,947	411,197
Total long-term liabilities	317,268	411,197
TOTAL LIABILITIES	4,467,921	2,956,811

STOCKHOLDERS' DEFICIT		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized;		
Series A Convertible Preferred stock, $0.0001 par value, -0- and 1,000,000 shares designated respectively, -0- and 1,000,000 shares issued and outstanding; respectively	-	100
Undesignated Preferred stock, $0.0001 par value, 4,000,000 shares authorized, 0- and 1,000,000 shares issued and outstanding, respectively	-	100
Series B Convertible Preferred Stock, $0.0001 par value 500,000 shares designated, 500,000 and -0- shares issued and outstanding, respectively	50	-
Series C Convertible Preferred Stock, $0.0001 par value 500,000 shares designated, 500,000 and -0- shares issued and outstanding, respectively	50	-
Common stock, $0.0001 par value, 300,000,000 shares authorized		
41,802,659 and 39,633,706 shares issued and outstanding, respectively;	5,149	3,963
Additional paid in capital	10,747,371	9,032,865
Common stock to be issued	2,895,856	52,500
Accumulated deficit	(16,886,047)	(10,784,730)
TOTAL STOCKHOLDERS' DEFICIT	(3,237,571)	(1,695,202)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1,230,350	$ 1,261,609

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

AXIM BIOTECHNOLOGIES, INC.
(Formerly AXIM International, Inc.)
Condensed Consolidated Statement of Operations

	For the Three Months ended September 30, 2016	For the Three Months ended September 30, 2015	For the Nine Months ended September 30, 2016	For the Nine Months ended September 30, 2015
Revenues	$ 9,600	$ 21,610	$ 34,846	$ 33,722
Cost of goods sold	13,661	32,830	40,957	32,830
Gross (loss) profit	(4,061)	(11,220)	(6,111)	892
Expenses:				
Research and development expenses	87,718	133,087	163,946	507,014
Selling, general and administrative	1,462,954	1,546,136	2,816,666	3,233,639
Depreciation	839	840	2,516	840
Total operating expenses	1,551,511	1,680,063	2,983,128	3,741,493
Loss from operations	(1,555,572)	(1,691,283)	(2,989,239)	(3,740,601)
Other (Income) expenses:				
Amortization of Debt Discount	2,687	-	2,687	-
Loss on extinguishment of debt	-	-	1,385,000	-
Interest expense	225,382	12,401	249,391	30,717
	228,069	12,401	1,637,078	30,717
Loss before provision of income tax	(1,783,641)	(1,703,684)	(4,626,317)	(3,771,318)
Provision for income tax	-	-	-	-
NET LOSS	$ (1,783,641)	$ (1,703,684)	$ (4,626,317)	$ (3,771,318)
Less: Dividend on preferred stocks	(1,475,000)	-	(1,475,000)	-
NET LOSS ATTRIBUTABLE TO COMMON	$ (3,258,641)	$ (1,703,684)	$ (6,101,317)	$ (3,771,318)

SHAREHOLDERS								
Loss per common share - basic and diluted	$	(0.07)	$	(0.04)	$	(0.15)	$	(0.10)
Weighted average common shares outstanding - basic and diluted		44,330,132		39,417,206		41,269,504		36,244,853

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

AXIM BIOTECHNOLOGIES, INC.

(Formerly AXIM International, Inc.)

Condensed Consolidated Statement of Stockholders' Deficit

For the nine months ended September 30, 2016

(unaudited)

	Common Stock		Preferred Stock		Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Com Sto to Issu
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	
Balance at December 31, 2015	39,633,706	$ 3,963	1,000,000	$ 100	1,000,000	$ 100	-	$ -	-	$ -	$5
Common stock to be issued for officer's compensation	125,000	13	-	-	-	-	-	-	-	-	(52
Common stock to be issued for officer's compensation	2,250,000	225	-	-	-	-	-	-	-	-	71
Common stock issued for consulting services	3,953	-	-	-	-	-	-	-	-	-	
Common stock to be issued for consultancy services	2,440,000	244	-	-	-	-	-	-	-	-	70
Common stock issued in exchange for debt	2,040,000	204	-	-	-	-	-	-	-	-	
Fair value of convertible note over the face value of note	-	-	-	-	-	-	-	-	-	-	
Cancellation/Rescission of the Series "A" convertible preferred stock issued in 2015.	-	-	-	-	(1,000,000)	(100)	-	-	-	-	
Issuance of Series B Convertible Preferred Stock for cash	-	-	-	-	-	-	500,000	50	-	-	
Issuance of Series C Convertible Preferred Stock for cash	-	-	-	-	-	-	-	-	500,000	50	

Issuance of Series A Convertible Preferred Stock on conversion of Preferred stock	-	-	(1,000,000)	(100)	1,000,000	100	-	-	-	-	
Common stock to be issued on Conversion of Series A preferred stock	5,000,000	500	-	-	(1,000,000)	(100)	-	-	-	-	1,47
Preferred stock dividend	-	-	-	-	-	-	-	-	-	-	
Net Loss	-	-	-	-	-	-	-	-	-	-	
Balance at September 30, 2016	51,492,659	$ 5,149	-	$ -	-	$ -	500,000	$ 50	500,000	$ 50	$2,89

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

AXIM BIOTECHNOLOGIES, INC.
(Formerly AXIM International, Inc.)
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months ended September 30, 2016	For the Nine Months ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,626,317)	$ (3,771,318)
Loss from operations	(4,626,317)	(3,771,318)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	2,687	-
Depreciation expense and Amortization	2,516	840
Amortization of prepaid services	736,438	1,065,205
Loss on extinguishment of debt	1,385,000	-
Non-cash Interest Expense	212,500	-
Amortization of prepaid insurance	64,041	94,685
Stock based compensation	1,424,935	586,125
Inventory written off	9,753	-
Impairment Loss	-	652,265
Change in operating assets and liabilities:		
Accounts payable and accrued expenses	13,593	377,553
Accrued Interest payable	35,507	-
Inventory	39,973	32,830
Reservation fee Deposit	-	(65,170)
Prepaid Insurance	(85,000)	(85,000)
Due to first insurance funding	22,680	(8,390)
NET CASH USED IN OPERATING ACTIVITIES	(761,694)	(1,120,375)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase Of Equipment	-	(16,801)
Net Cash Used in Investing Activities	-	(16,801)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Notes	850,000	-
Proceeds from due to related party	533,157	499,308
Issuance of common stock for cash	-	20,000
issuance of series B and C preferred	115,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,498,157	519,308
NET CHANGE IN CASH	736,463	(617,868)
CASH BALANCES		
Beginning of period	134,170	661,128
End of period	$ 870,633	$ 43,260

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
CASH PAID DURING THE PERIOD FOR:				
Interest	$	1,034	$	698
Income taxes-net of tax refund	$	-	$	651
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING TRANSACTIONS:				
Excess fair value of convertible note issued for prepaid services	$	-	$	2,000,000
Convertible Note issued for services	$	-	$	400,000
Acquisition of Intellectual property through subsidiary acquisition	$	-	$	983,262
Common stock issued against common stock to be issued	$	52,500	$	-
Common stock issued against conversion of debt	$	159,000	$	-
Cancellation of Series A convertible preferred shares	$	100	$	-
Exchange of preferred shares against series A convertible preferred shares	$	100	$	-
Conversion of series A convertible preferred shares into common stock	$	500	$	-
Debt discount and initial derivative liability at issuance of note	$	1,062,500	$	-
Preferred dividend against common stock to be issued on conversion of Series A Preferred stock	$	1,475,000	$	-

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

AXIM BIOTECHNOLOGIES, INC.

(FORMERLY AXIM INTERNATIONAL, INC.)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

(unaudited)

NOTE 1: ORGANIZATION

The Company was originally incorporated in Nevada on November 18, 2010, as Axim International Inc. On July 24, 2014, the Company changed its name to AXIM Biotechnologies, Inc. to better reflect its business operations. The Company s principal executive office is located at 18 East 50th Street, 5th Floor, New York, NY 10022. On August 7, 2014, the Company formed a wholly owned Nevada subsidiary named Axim Holdings, Inc. This subsidiary will be used to help facilitate the anticipated activities planned by the Company. On May 11, 2015 the Company acquired a 100% interest in Can Chew License Company a Nevada incorporated licensing Company, through the exchange of 5,826,706 shares of its common stock.

NOTE 2: BASIS OF PRESENTATION:

The unaudited condensed consolidated financial statements of AXIM Biotechnologies, Inc. (formerly Axim International, Inc.) as of September 30, 2016, and for the nine months period ended September 30, 2016 and 2015 have been prepared in accordance with United States generally accepted accounting principles (US GAAP).

The following (a) balance sheets as of September 30, 2016 (unaudited) and December 31, 2015, which have been derived from audited financial statements, and (b) the unaudited interim statements of operations and cash flows of AXIM Biotechnologies, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP 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. Operating results for the nine months ended September 30, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016. These unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015 included in the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (SEC) on April 14, 2016.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during reporting periods. Actual results could differ from these estimates.

Cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Inventory

Inventory consists of finished goods available for sale and raw materials owned by the Company and are stated at the lower of cost or market. During the three and nine months ended September 30, 2016, the Company wrote off finished goods inventory worth $-0- and $9,753; respectively. As of September 30, 2016 the finished goods inventory totaled $151,058 and the shelf life of the finished goods inventory is set to expire on April 6, 2017.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful life. New assets and expenditures that extend the useful life of property or equipment are capitalized and depreciated. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. For the three and nine months ended September 30, 2016, the Company recorded $839 and $2,516; respectively, of depreciation expense.

Intangible Assets

As required by generally accepted accounting principles, trademarks and patents are not amortized since they have an indefinite life. Instead, they are tested annually for impairment. Intangible assets as of September 30, 2016 amounted to $63,167 net of accumulated impairment losses of $652,265.

Revenue Recognition

The Company recognizes revenue on four basic criteria that must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management s judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectability of those fees. Revenue is generally recognized upon shipment.

Revenues from continuing operations recognized for the three months ended September 30, 2016 and 2015 amounted to $9,600 and $21,610, respectively.

Revenues from continuing operations recognized for the nine months ended September 30, 2016 and 2015 amounted to $34,846 and $33,722, respectively.

Principles of consolidation

The unaudited condensed consolidated financial statements include the accounts of Axim Biotechnologies, Inc. and its wholly owned subsidiaries Axim Holdings, Inc. and Can Chew License Company as of September 30, 2016 and 2015. All significant intercompany transactions and balances have been eliminated in consolidation.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of September 30, 2016, which consist of convertible instruments and rights to shares of the Company s common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company s financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity s own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2016, with the exception of its convertible notes payable and derivative liability. The carrying amounts of these liabilities at September 30, 2016 approximate their respective fair value based on the Company s incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of September 30, 2016 and therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for Accounting for Derivative Instruments and Hedging Activities .

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as The Meaning of Conventional Convertible Debt Instrument .

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when Accounting for Convertible Securities with Beneficial Conversion Features, as those professional standards pertain to Certain Convertible Instruments. Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Income taxes

The Company follows Section 740-10, Income tax (ASC 740-10) Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Operations in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including reversals of any existing taxable temporary differences, projected future taxable income, tax planning strategies, and the results of recent operations. If the Company determines that it would be able to realize a deferred tax asset in the future in excess of any recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limit. The Company does not have accounts receivable and allowance for doubtful accounts at September 30, 2016 and December 31, 2015.

Net loss per common share

Net loss per common share is computed pursuant to section 260-10-45 Earnings Per Share (ASC 260-10) of the FASB Accounting Standards Codification. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding and the member potentially outstanding during each period. In periods when a net loss is experienced, only basic net loss per share is calculated because to do otherwise would be anti-dilutive.

There were 41,802,659 common share equivalents at September 30, 2016 and 39,364,706 at September 30, 2015. For the three and nine months ended September 30, 2016 and 2015 these potential shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Stock Based Compensation

All stock-based payments to employees and to nonemployee directors for their services as directors, including any grants of restricted stock and stock options, are measured at fair value on the grant date and recognized in the statements of operations as compensation or other expense over the relevant service period. Stock-based payments to nonemployees are recognized as an expense over the period of performance. Such payments are measured at fair value at the earlier of the date a performance commitment is reached or the date performance is completed. In addition, for awards that vest immediately and are non-forfeitable the measurement date is the date the award is issued.

Cost of Sales

Cost of sales includes the purchase cost of products sold and all costs associated with getting the products to the customers including buying and transportation costs.

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (ASC 730-10). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company incurred research and development expenses of $163,946 and $507,014 for the nine months ended September 30, 2016 and 2015. The Company incurred research and development expenses of $87,718 and $133,087 for the three months ended September 30, 2016 and 2015.

Shipping Costs

Shipping and handling costs billed to customers are recorded in sales. Shipping costs incurred by the company are recorded in general and administrative expenses.

Recently issued accounting standards

In October 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-16 - Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 will require the tax effects of intercompany transactions, other than sales of inventory, to be recognized currently, eliminating an exception under current GAAP in which the tax effects of intra-entity asset transfers are deferred until the transferred asset is sold to a third party or otherwise recovered through use. The guidance will be effective for the first interim period of our 2019 fiscal year, with early adoption permitted.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 provides guidance regarding the classification of certain items within the statements of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 with early adoption permitted.

In connection with its financial instruments project, the FASB issued ASU 2016-13 - Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments in June 2016 and ASU 2016-01 - Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities in January 2016.

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ASU 2016-13 introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a forward-looking expected loss model that will replace the current incurred loss model and generally will result in earlier recognition of allowances for losses. The guidance will be effective for the first interim period of our 2021 fiscal year, with early adoption in fiscal year 2020 permitted.

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ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires the fair value measurement of investments in certain equity securities. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. All changes in measurement will be recognized in net income. The guidance will be effective for the first interim period of our 2019 fiscal year. Early adoption is not permitted, except for certain provisions relating to financial liabilities.

In April 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) ASU 2016 10 Revenue from Contract with Customers: identifying Performance Obligations and Licensing . The amendments in this Update clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity s promise to grant a license provides a customer with either a right to use the entity s intellectual property (which is satisfied at a point in time) or a right to access the entity s intellectual property (which is satisfied over time). The amendments in this Update are intended to reduce the degree of judgment necessary to comply with Topic 606. This guidance has no effective date as yet. The Company is currently evaluating the impact of adopting this guidance.

In March 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) ASU 2016 09 Improvements to Employee Share-Based Payment Accounting which is intended to improve the accounting for employee share-based payments. The ASU simplifies several aspects of the accounting for share-based payment award transactions, including; the income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, which amends the guidance in U.S. GAAP on accounting for operating leases, a lessee will be required to recognize assets and liabilities for operating leases with lease terms of more than 12 months on the balance sheet. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted. The Company is currently evaluating the impact of adopting this guidance.

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

The amendments also clarify that the guidance in Topic 275, Risks and Uncertainties, is applicable to entities that have not commenced planned principal operations.

Other recent accounting pronouncements issued by the FASB and the SEC did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements

NOTE 4: PREPAID EXPENSES

Prepaid expenses consist of the following as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Prepaid service contract	$ -	$ 736,438
Prepaid insurance contract	62,178	41,219
	$ 62,178	$ 777,657

For the three months ended September 30, 2016 and 2015 the Company recognized amortization of prepaid expense of $21,425 and $621,424, respectively.

For the nine months ended September 30, 2016 and 2015 the Company recognized amortization of prepaid expense of $800,479 and $1,159,945, respectively.

NOTE 5: RESERVATION FEE DEPOSIT

The Company entered into a reservation agreement with the Municipality of Almere in the Netherlands. In October 2015 the Company paid the reservation fee in the amount of $65,170.The reservation fee deposit gives the company an exclusive right to purchase the building land for a purchase price of €1,110,000. Starting in October 2015 the second reservation period was extended for a period of twelve (12) months expiring September 2016. Starting in October 2016 the second reservation period was extended to October 20, 2017 under the same terms as the previous period.. The Company is not entitled to a refund of the reservation fee if the current agreement is terminated by the Company in the event of insolvency or a moratorium on the transfer or assignment of rights or in the event of a failure to notify or notify on time. The agreement is not transferable. The rights and obligations of this agreement cannot be assigned. The municipality is entitled to terminate the agreement by means of a registered letter if during the reservation period compelling objections exist or arise, or through the insolvency of the Company.

NOTE 6: PROMISSORY NOTE - RELATED PARTY

On August 8, 2014 the Company entered into a Promissory Note Agreement with CanChew Biotechnologies, LLC (CCB), a related party (the owners of CCB also own a majority of the outstanding shares of the Company), under which it borrowed $1,000,000 to fund working capital. The original loan was a demand note bearing interest at the rate of 7% per annum, which amount, along with principal, was payable upon demand. The demand note was amended effective January 1, 2015 to reduce the annual interest rate to 3%. All other terms and conditions shall remain in full force and effect. The Company is in discussions to have the demand note modified or exchanged for a longer term, fixed maturity note.

The following table summarizes promissory note payable as of September 30, 2016 and December 31, 2015:

		September 30, 2016		December 31, 2015
Promissory note payable, due on demand, interest at 3% and 7%, respectively.	$	1,000,000	$	1,000,000
Accrued interest		80,835		57,726
	$	1,080,835	$	1,057,726

For the three months ended September 30, 2016 and 2015 the Company recognized interest expense of $7,788 and $7,561; respectively.

For the nine months ended September 30, 2016 and 2015 the Company recognized interest expense of $23,109 and $22,111; respectively.

NOTE 7: RELATED PARTY TRANSACTIONS

The Company has received working capital advances from CCB and Maxillofacial totaling $1,619,067as of September 30, 2016, which includes $533,157 received during the nine month period ended September 30, 2016. The advances currently bear no interest and are payable on demand. The Company is in discussions to have the advances reduced to a longer term, fixed maturity note.

The Company owes $5,000 to the president of the Company for a working capital advance of $5,000 made in May of 2014.

On August 15, 2016 the Company issued 1,000,000 shares of its Series A Convertible Preferred Stock in exchange for 1,000,000 shares of its Undesignated Preferred Stock (see Footnote 12 - "Preferred Stock" for a discussion of the Company's preferred stock). The Undesignated Preferred Stock was held by Sanammad Foundation and MJNA Investment Holdings, LLC (500,000 shares each), which parties together own a majority of the common stock of the Company. Under the terms of the exchange, the 1,000,000 shares of Series A Convertible Preferred received in the exchange were immediately converted into 5,000,0000 restricted shares of the Company's common stock (2,500,000 shares for each of Sanammad Foundation and MJNA Investment Holdings, LLC). As a result, the Series A Convertible Preferred Stock is retired and no longer available for future issuance. The three members of the Sanammad Foundation also serve as the current three directors of the Company and Sanammad, along with MJNA

Investment Holdings, LLC, hold a majority of the outstanding stock of the Company

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series B Convertible Preferred Stock to Sanammad Foundation in exchange for cash of $50,000. As the holders of the Series B Preferred Stock, Sanammad has designated the current directors, Dr. George E. Anastassov, Dr. Philip A. Van Damme and Mr. Lekhram Changoer as their three Series B Directors.

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series C Convertible Preferred Stock to MJNA Investment Holdings, LLC in exchange for cash of $65,000. At this time the holders of the Series C Preferred Stock have decided not to elect any Series C Directors.

NOTE 8: DUE TO FIRST INSURANCE FUNDING

The Company owes $45,644 to First Insurance Funding for financing of its D&O insurance policy. Under the terms of the insurance financing, payments of $7,730, which include interest at the rate of 5.5% per annum, are due each month for nine months commencing on July 25, 2016. The total outstanding due to First Insurance Funding as of September 30, 2016and December 31, 2015 is $45,644 and $22,964; respectively.

NOTE 9: CONVERTIBLE NOTES PAYABLE

On November 26, 2012, the Company entered into an interest free $50,000 convertible loan payable maturing on December 31, 2014. The note was convertible into the Company's common stock at a conversion price of $0.10 per share. The Company was unable to repay the loan as of December 31, 2014, and obtained multiple extensions until December 31, 2015. The Company had paid no interest or other consideration in return for the extensions of the loan. Unable to obtain further extension of the maturity date, on June 29, 2016, the Company entered into a Debt Exchange Agreement with the note holder whereby the Company exchanged the note having a balance due of $50,000 as of December 31, 2015, for a long-term convertible note in the amount of $50,000. The new Convertible Note (Note) bears interest at the rate of 3.5% per annum, payable annually beginning on July 1, 2017, and matures on July 1, 2028. The Note is convertible, in whole or in part at any time at the option of the holder, into the Company's common stock at a conversion price of $0.01, provided however, the holder of the Note is not permitted to convert an amount of the Note that would result in the holder and its affiliates owning more than 4.9% of the Company's outstanding common stock. The Company determined fair value of new debt $1,435,000 and as a result was recorded $1,385,000 as a loss on debt extinguishment during the period ended September 30, 2016. On June 30, 2016, the holder of the Note converted $5,000 face value into 500,000 shares of the Company's common stock. The balance on the Note as of September 30, 2016 is $45,394, including interest accrued thereon of $394.

The Company has outstanding convertible note payable having a balance due of $265,490 and $400,000 as of September 30, 2016 and December 31, 2015 respectively. The Note bears interest at the rate of 4% per annum which accrues until maturity at April 21, 2025. The Note was issued in April of 2015 to a third-party as a non-refundable payment for consultancy services to be provided to the Company for a period of at least one year. The Note is convertible, in whole or in part at any time at the option of the holder, into shares of the Company's common stock at a conversion price of $0.10, provided however, the holder of the Note is not permitted to convert an amount of the Note that would result in the holder and its affiliates owning more than 4.9% of the Company's outstanding common stock. On June 30, 2016 the holder of the Note converted $154,000 due under the Note, including interest of $19,490, into 1,540,000 shares of the Company's common stock. The balance on the Note as of September 30, 2016 is $267,946, including interest accrued thereon of $2,457.

On September 16, 2016, we entered into a convertible note purchase agreement (the "Convertible Note Purchase Agreement" or "Agreement") with a third-party investor. Under the terms of the Convertible Note Purchase Agreement the investor may acquire up to $5,000,000 of convertible notes from the Company, with various closings, under terms acceptable to the Company and the investor as of the time of each closing. Pursuant to the Agreement, on September 16, 2016 the investor provided the Company with $850,000 secured convertible note financing pursuant to four (4) Secured Convertible Promissory Notes (the Notes). Each of the Notes mature on October 1, 2029, and pay 3.5% compounded interest paid bi-annually. The Notes are secured by the assets of the Company, may not be pre-paid without the consent of the holder, and are convertible at the option of the holder into shares of the Company s common stock at a conversion price equal to the lesser of: (i) $0.2201 or (ii) 80% of closing price of the Company s common stock as of the date of conversion. These financial statements reflect a derivative liability of $1,062,500 which gives effect to such conversion and the corresponding decrease in Notes Payable. The balance on the Note as of September 30, 2016 is $851,240, including interest accrued thereon of $1,240 and net of. unamortized debt discount of $847,313. During the three and nine months ended September 30, 2016 the Company amortized debt discount of $2,687 and $2,687, respectively.

NOTE 10: DERIVATIVE LIABILITIES

The Company applies the provisions of ASC Topic 815-40, *Contracts in Entity s Own Equity* (ASC Topic 815-40), under which convertible instruments, which contain terms that protect holders from declines in the stock price (reset provisions), may not be exempt from derivative accounting treatment. As a result, embedded conversion options in convertible debt are recorded as a liability and are revalued at fair value at each reporting date. If the fair value of the warrants exceeds the face value of the related debt, the excess is recorded as change in fair value in operations on the issuance date. The Company has $850,000 of convertible debt with variable conversion pricing outstanding at September 30, 2016.

The Company identified embedded derivatives related to the Convertible Promissory Notes. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Note, the Company determined a fair value of $1,062,500 of the embedded derivative. The fair value of the embedded derivative was determined using the Black Scholes Model based on the following assumptions:

	Valuation at September 16, 2016 and September 30, 2016
Volatility	323%
Expected remaining term	13
Risk-free interest rate	1.6%
Expected dividend yield	