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NATIONAL HEALTHCARE TECHNOLOGY INC

Form 10QSB/A

April 06, 2007

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

FORM 10-QSB/A

(Mark One)

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

For the quarterly period ended June 30, 2006

☐ TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from \_\_\_\_ to \_\_\_\_.

Commission file number 01-28911.

NATIONAL HEALTHCARE TECHNOLOGY, INC.  
(Exact name of small business issuer as specified in its charter)

Colorado 91-1869677  
(State or other jurisdiction (IRS Employer  
of incorporation or organization) Identification No.)

1660 Union Street, Suite 200, San Diego, California 92101  
(Address of principal executive offices)

(619) 398-8470  
(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

As of August 14, 2006, 36,209,759 shares of the issuer's common equity is outstanding.

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Microsoft Word 11.0.6568;

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## Item 1. Financial Information

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### NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY)

#### CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

JUNE 30, 2006

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### NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY)

#### CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2006

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### NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY)

#### CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2006 (Unaudited)

#### ASSETS

##### Assets

Current assets	
Prepaid consulting	\$ 125,000
Other assets	
Investment in Custer Leasehold	56,000
	-----
Total assets	\$ 181,000
	=====

##### LIABILITIES AND STOCKHOLDERS' DEFICIT

##### Liabilities

Current liabilities

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Accounts payable and accrued expenses	\$ 216,165
Interest payable	8,980
	-----
Total current liabilities	225,145
	-----
Non-current liabilities	
Notes payable to affiliate	455,560
Shares to be issued	56,000
	-----
Total non-current liabilities	511,560
	-----
Total liabilities	736,705
Stockholders' Deficit	
Common Stock, \$.001 par value, 100,000,000 shares authorized, 35,532,759 issued and outstanding as of June 30, 2006	35,533
Additional paid in capital	35,041,307
Prepaid consulting	(11,052,917)
Deficit accumulated during development stage	(24,579,628)
	-----
Total Stockholders' Deficit	(555,705)
	-----

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT \$ 181,000

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

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## NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Month Period Ended June 30,	
	2006	2005
	-----	-----
REVENUES, net	\$ --	\$ --
	-----	-----
OPERATING EXPENSES		
Professional fees	2,904,199	175,752
Technology license royalties	--	22,917
Other general and administrative	8,627,944	60,360
	-----	-----
Total operating expenses	11,532,143	259,029
	-----	-----
NET LOSS	(11,532,143)	(259,029)
	=====	=====
LOSS PER COMMON SHARE	(0.36)	(3.30)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	32,208,981	78,571

Weighted average number of dilutive securities has not been taken since the effect of dilutive securities would be anti-dilutive.

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

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## NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED) (Unaudited)

	Six Month Period Ended June 30, 2006	Period from January 27, 2005 (inception) through June 30, 2005	Period 2005 through
REVENUES, net	\$ --	\$ --	\$ --
OPERATING EXPENSES			
Professional fees	15,134,949	192,514	
Technology license royalties	--	22,917	
Depreciation and amortization	--	--	
Other general and administrative	8,637,079	76,154	
Total operating expenses	23,772,028	291,585	
NET LOSS	(23,772,028)	(291,585)	
NET LOSS PER SHARE (BASIC & DILUTED)	(0.92)	(3.71)	
WEIGHTED AVERAGE SHARES OUTSTANDING (BASIC & DILUTED)	25,850,870	78,517	

Weighted average number of dilutive securities has not been taken since the effect of dilutive securities would be anti-dilutive.

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

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## NATIONAL HEALTHCARE TECHNOLOGY, INC. (A DEVELOPMENT STAGE COMPANY) CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Month Period Ended June 30, 2006	Period from January 27, 2005 (inception) through June 30, 2005	Period January (ince through 20
--	--	---	---

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CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	(23,772,028)	(291,585)	(24,063,613)
Adjustments to reconcile net loss to cash used by operating activities:			
Expenses paid by note payable	125,000	--	
Depreciation and amortization	--	--	
Stock issued for services	23,279,583	--	23,279,583
Changes in certain assets and liabilities, net of divestiture			
Inventory	--	(17,561)	
Other assets	--	(2,087)	
Accounts payable and accrued expenses	152,905	83,612	
CASH FLOWS USED IN OPERATING ACTIVITIES:	(214,540)	(227,621)	(442,161)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	--	(38,952)	
Investment in Es3	--	200,000	
CASH FLOWS PROVIDED BY (USED) IN INVESTING ACTIVITIES	--	161,048	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible note-related party	--	--	
Related party advances	214,540	94,200	
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	214,540	94,200	
Net increase (decrease) in cash & cash equivalents	\$ --	\$ 27,627	\$ --
Cash & cash equivalents, beginning of period	\$ --	\$ --	\$ --
Cash & cash equivalents, end of period	\$ --	\$ 27,627	\$ --
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	\$ --	\$ --	\$ --
Income taxes paid	\$ --	\$ --	\$ --
NON CASH TRANSACTIONS			
Net liabilities assumed with recapitalization	\$ --	\$ --	\$ --
Divestiture of subsidiary to related party	\$ --	\$ --	\$ --
Stock issued for debt	\$ --	\$ --	\$ --

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

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NATIONAL HEALTHCARE TECHNOLOGY, INC.  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2006

1. Summary of Significant Accounting Policies

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### A. Organization and General Description of Business

On July 19, 2005, National Healthcare Technology, Inc., a Colorado corporation (the "Company") completed the acquisition of Special Stone Surfaces, Es3, Inc., a Nevada Corporation ("Es3") pursuant to the terms of an Exchange Agreement (the "Exchange Agreement") by and among the Company, Crown Partners, Inc., a Nevada corporation and at such time, the largest stockholder of the Company ("Crown Partners"), Es3, and certain stockholders of Es3 (the "Es3 Stockholders"). Under the terms of the Exchange Agreement, the Company acquired all of the outstanding capital stock of Es3 in exchange for the issuance of 19,182,759 shares of the Company's common stock to the Es3 Stockholders, Crown Partners and certain consultants. The transactions effected by the Exchange Agreement have been accounted for as a reverse merger. This reverse merger transaction has been accounted for as a recapitalization of Es3, as Es3 is the accounting acquirer, effective July 19, 2005. As a result, the historical equity of the Company has been restated on a basis consistent with the recapitalization. In addition, the Company changed its accounting year-end from September 30 to December 31, which is Es3's accounting year-end.

Accordingly the financial statements contained in this report include the operations of the Company in its new line of business. As a result of the transactions contemplated by the Exchange Agreement, the Company had one active operating subsidiary, Es3. Es3 was formed in January 2005 and began operations in March 2005 in the business of manufacturing and distributing a range of decorative stone veneers and finishes based on proprietary Liquid Stone Coatings (TM) and Authentic Stone Veneers (TM). Effective October 1, 2005, the Company sold all of its shares in Es3.

### B. Basis of Presentation and Organization

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") Form 10-QSB and Item 310 of Regulation S-B, and generally accepted accounting principles for interim financial reporting. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Es3, through October 1, 2005 (the effective date of disposition). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-KSB. The results of the three and six month periods ended June 30, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006.

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### C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

E. Stock-Based Compensation

The Company adopted SFAS No. 123 (Revised 2004), Share Based Payment ("SFAS No. 123R"), under the modified-prospective transition method on January 1, 2006. SFAS No. 123R requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. Share-based compensation recognized under the modified-prospective transition method of SFAS No. 123R includes share-based compensation based on the grant-date fair value determined in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation, for all share-based payments granted prior to and not yet vested as of January 1, 2006 and share-based compensation based on the grant-date fair-value determined in accordance with SFAS No. 123R for all share-based payments granted after January 1, 2006. SFAS No. 123R eliminates the ability to account for the award of these instruments under the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and allowed under the original provisions of SFAS No. 123. Prior to the adoption of SFAS No. 123R, the Company accounted for our stock option plans using the intrinsic value method in accordance with the provisions of APB Opinion No. 25 and related interpretations.

F. Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the 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 income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

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G. Basic and Diluted Net Earnings (loss) per Share

The Company adopted the provisions of SFAS No. 128, "Earnings Per Share" ("EPS"). SFAS No. 128 provides for the calculation of basic and diluted earnings per share. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. For the period from inception through March 31, 2006, basic and diluted loss per share are the same since the calculation of diluted per share amounts would result in an anti-dilutive calculation.

H. Recent Accounting Pronouncements

In February 2006, FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments". SFAS No. 155 amends SFAS No 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interest in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on the qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of the Company's first fiscal year that begins after September 15, 2006. Management is still in the process of determining the effect of the statement on the financials.

In March 2006 FASB issued SFAS 156 "Accounting for Servicing of Financial Assets". SFAS No. 156 amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Statement: (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract, (2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; (3) permits an entity to choose the 'amortization method' or 'fair value measurement method' for each class of separately recognized servicing assets and servicing liabilities; (4) at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS 156 is effective as of the beginning of the Company's first fiscal year that begins after September 15, 2006. Management is still in the process of determining the effect of the statement on the financials.

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## 2. Equity Transactions

### A. Issuance of Common Stock

In February 2005, the Company issued 8,380,000 shares of unregistered common stock at par value of \$0.001 to founding stockholders without consideration, including 6,250,000 shares to Boston Equities Corporation (a related party).

In June 2005, the Company issued 800,000 shares of unregistered common stock at



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par value of \$0.001 in exchange for the debt arising out of monies advanced to the Company in the amount of \$400,000 by Boston Equities Corporation pursuant to a convertible debt agreement dated March 1, 2005. The terms of the convertible debt agreement allowed Boston Equities Corporation to convert its debt to shares of common stock at \$.50 per share.

In June 2005, the Company's issued an aggregate of 8,618,750 shares of unregistered common at par value of \$0.001 stock to the shareholders of Aronite Industries, Inc. ("Aronite") in connection with the license of certain trademarks from Aronite. Certain officers, directors and shareholders of the Company are former or current officers, directors and shareholders of Aronite. Aronite and the Company are under common control and, therefore, the transaction was recorded at Aronite's basis, which was zero.

In July 2005, in accordance with the terms of the Exchange Agreement, the Company issued 400,000 shares of registered common stock to two consultants, d.b.a. WB International, Inc. in accordance with the terms of the Exchange Agreement.

In July 2005, the Company issued for no consideration 78,571 shares of its unregistered common stock at par value of \$0.001 to the former shareholders of National Healthcare Technologies, Inc. and an additional 905,438 shares of its unregistered common stock at par value of \$0.001 to Crown Partners, a former major shareholder of National Healthcare Technologies, Inc. in accordance with the terms of the Exchange Agreement.

In April 2006, the Company issued 1,800,000 shares of its unregistered common stock to its Chief Executive Officer and Director, Ross-Lyndon James, in accordance with the terms of the Management Employment Agreement.

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In April 2006, the Company issued 1,800,000 shares of its unregistered common stock to its Chief Financial Officer and Director, Brian Harcourt, in accordance with the terms of the Management Employment Agreement.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 3,500,000 shares of the Company's common stock to Credit First Holding Limited, a related party, for consulting services.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 700,000 shares of the Company's common stock to Monterosa Group Limited for consulting services.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 2,800,000 shares of the Company's common stock to Design, Inc., a related party, for consulting services.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 2,500,000 shares of the Company's common stock to Camden Holdings, Inc., a related party, for consulting services.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 1,800,000 shares of the Company's common stock to Summit Oil & Gas, a related party, for consulting services.

In April 2006, in accordance with the terms of a Consulting Agreement, the Company issued 700,000 shares of the Company's common stock to Bluefin, LLC for consulting services.

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On June 16, 2006, we issued 375,000 shares each to John McDermit and John E. Havens, who currently serve on our advisory board.

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### B. Issuance of Warrants

The following table summarizes the warrants outstanding:

	Warrants outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, December 31, 2005	1,800,000	\$0.67	\$1,050,000
Granted	600,000	\$2.63	
Forfeited/Canceled	--	--	
Exercised	--	--	
Outstanding, June 30, 2006	2,400,000	\$1.16	\$1,050,000

The weighted average remaining contractual life of warrants outstanding is 3.8 years at June 30, 2006.

Outstanding Warrants			Exercisable Warrants	
Range of Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number
\$0.67-\$2.63	2,400,000	3.8 years	\$0.67	1,800,000

The weighted-average assumptions used in estimating the fair value of warrants granted during the six-month period ended June 30, 2006, along with the weighted-average grant date fair values, were as follows.

Expected volatility	80%
Expected life in years	5 years
Risk free interest rate	5.07%
Dividend yield	0%

During the six-month period ended June 30, 2006, the Company granted two warrants which expire five years from date of grant and are convertible into 300,000 shares of common stock at an exercise price of \$2.63 per share to each of Brian Harcourt and Ross-Lyndon James in accordance with their respective Management Employment Agreements executed by and between them and the Company, respectively. The warrants were granted on April 5, 2006 and vest 6 months after grant.

### 3. Stock Based Compensation

On April 3, 2006, the Board of Directors of the Company authorized and approved the adoption of the 2006 Stock Option Plan effective April 3, 2006 (the "Plan"). The Plan is administered by the duly appointed compensation committee. The Plan is authorized to grant stock options of up to 2,500,000 shares of the Company's common stock. At the time a stock option is granted under the Plan, the compensation committee shall fix and determine the exercise price and vesting schedules at which such shares of common stock of the Company may be acquired.

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As of June 30, 2006, no options to purchase the Company's common stock have been granted under the Plan.

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### 4. Related Party Transactions

#### A. Ross-Lyndon James

The following transaction took place between the Company and Ross-Lyndon James, the Company's Chief Executive Officer and Director: On April 3, 2006, the Company entered into an employment agreement with Ross Lyndon James who has been serving as the Company's President without compensation and written agreement since being appointed to such office by the Board of Directors of the Company in June 2005. Mr. Lyndon James had also served without compensation as a director of the Company. Under the terms of the agreement, Mr. Lyndon James will receive compensation equal to twenty five thousand dollars (\$25,000) per month payable monthly in advance. He was also granted one million eight hundred thousand (1,800,000) restricted shares of common stock upon execution of the employment agreement as a signing bonus, as well as a termination grant of two million (2,000,000) shares of restricted common stock. All shares have piggy-back registration rights. Additionally, the Company agreed to grant him a warrant to acquire three hundred thousand (300,000) restricted shares of the Company's common stock. The exercise price is to be based on the bid price of the stock on the date of the agreement. The warrants expire five years after the date of grant. Additionally, Mr. Lyndon James will be entitled to participate in any stock option program offered by the Company to its employees.

#### B. Brian Harcourt

The following transaction took place between the Company and Brian Harcourt, the Company's Chief Financial Officer and Director and parties related to Brian Harcourt:

On April 3, 2006, the Company entered into an employment agreement with Brian Harcourt who has been serving as an officer of the Company without compensation and written agreement since being appointed to such office by the Board of Directors of the Company in June 2005. Mr. Harcourt has also served without compensation as a director of the Company. Under the terms of the agreement, Mr. Harcourt will receive compensation equal to twenty five thousand dollars (\$25,000) per month payable monthly in advance. He was also granted one million eight hundred thousand (1,800,000) restricted shares of common stock upon execution of the employment agreement as a signing bonus, as well as a termination grant of two million (2,000,000) restricted shares of the common stock. All shares have piggy back registration rights. Additionally, the Company agreed to grant him a warrant to acquire three hundred thousand (300,000) restricted shares of the Company's common stock. The exercise price is to be based on the bid price of the stock on the date of the agreement. The warrants expire five years after the date of grant. Additionally, Mr. Harcourt will be entitled to participate in any stock option program offered by the Company to its employees.

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April 5, 2006, the Company entered into a consulting agreement with First Credit Holding Ltd ("First Credit") to provide business management services and advice

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as it relates to the Company's future. Under the terms of the agreement, the Company agreed to pay First Credit a fee of three million five hundred thousand (3,500,000) restricted shares of common stock. The fee is non-refundable and considered earned when the shares are delivered. The company is amortizing the expense over the period of the services. Brian Harcourt, one of our directors, is the controlling shareholder of First Credit. The shares of stock were issued in April 2006.

### C. Boston Equities Corporation

The following transaction took place between the Company and parties sharing common ownership or control with Boston Equities Corporation, a shareholder, which owns approximately 25% of the Company's outstanding and issued common stock:

On April 3, 2006, the Company entered into a consulting agreement with Summitt Oil and Gas, Inc. ("Summit") to provide business management services and advice as it relates to the future of the company. Under the terms of the Agreement, the Company shall pay Summitt a fee of two hundred and fifty thousand dollars (\$250,000) in cash plus one million eight hundred thousand (1,800,000) restricted of the Company's common stock. The fee is non-refundable and considered earned when the shares are delivered. The agreement is for six months expiring in October, 2006. The Company has recorded \$125,000 as prepaid expense for the cash paid. The Company is amortizing the expense over the period of the services.

On April 4, 2006, the Company entered into an assignment of an oil and gas lease with Summitt. Under the agreement in exchange for the leasehold rights in 160 acres in the County of Custer, Oklahoma, the Company has agreed to pay Summitt consideration of seventy-seven thousand (77,000) restricted shares of the Company's common stock. The shares of stock have not been issued as of August 7, 2006. Additionally, there is excepted from the assignment and conveyance and reserved and retained in Summitt an overriding royalty equal to 3% of the value of all oil produced and removed under the lease and the net proceeds received by Assignee from the sale of all gas and casinghead gasoline produced and sold under the lease.

On April 25, 2006, the Company entered into a short term bridge financing in the form of a promissory note to Camden Holdings, Inc. in the amount of three hundred and fifty thousand dollars (\$350,000) to be used as working capital. The Note is due on August 25, 2006. No interest is payable on the note. On June 8, 2006, the Company entered into a short term bridge financing in the form of a promissory note to Camden Holdings, Inc. in the amount of one hundred and fifty thousand dollars (\$150,000) to be used as working capital. The Note is due on December 31, 2006. No interest is payable on the note. At June 30, 2006, the advances outstanding were \$455,560.

### D. Non-related party transactions

On April 5, 2006, the Company retained the services of Monterosa Group Ltd ("Monterosa") for a period of three years for operational administration, transaction processing and management, systems development, staff recruitment, acquisition transaction support services, shareholder communications and other business management services. Under the agreement, the Company agreed to pay a fee of seven hundred thousand (700,000) shares of the Company's restricted common stock as compensation in lieu of cash. The fee is non-refundable and considered earned when the shares are delivered. The Company is amortizing the expense over the period of the services.

On April 5, 2006, the Company entered into a consulting agreement with BlueFin LLC ("BlueFin") to provide business development, investor relations services, introductions to qualified funding sources, introductions to oil and gas business prospects, and introductions to accredited investors. Under the terms of the agreement, the Company agreed to pay BlueFin a fee of seven hundred thousand (700,000) shares of the Company's restricted common stock. The fee is non-refundable and considered earned when the shares are delivered. The Company is amortizing the expense over the period of the services.

#### 5. Commitments and Contingencies

##### A. Legal

The Company is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The Company is not currently aware of any formal legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company's financial position or results of operations.

##### B. Operating Leases

The Company currently has an office at 1660 Union Street, Suite 200, San Diego, CA 92101, which it maintains under arrangement with the landlord at no cost.

#### 6. Going Concern Uncertainties

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. The Company reported a cumulative net loss since inception of \$24,579,628, and had a stockholders' deficit at June 30, 2006 of \$555,705.

In view of the matters described, there is substantial doubt as to the Company's ability to continue as a going concern without a significant infusion of capital. The Company acquired all of the outstanding capital stock of Es3 in July 2005 and subsequently divested its ownership effective October 1, 2005. At June 30, 2006, the Company had no operations. In view of the matters described, there is substantial doubt as to the Company's ability to continue as a going concern without a significant infusion of capital. There can be no assurance that management will be successful in implementing its new plans. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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On April 3, 2006, our Board of Directors approved a change of direction for the Company, from the business of manufacturing and distributing decorative stone veneers and finishes, to the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. This plan of operating will include the acquiring of proven fields and the developing of these properties by commencing drilling operations. In order to maximize economies of scale and to leverage the knowledge and expertise of others, we will partner with third parties to exploit any such properties.

We anticipate that we will have to raise additional capital to fund operations over the next 12 months. To the extent that we are required to raise additional

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funds to acquire properties, and to cover costs of operations, we intend to do so through additional public or private offerings of debt or equity securities, including a drilling fund to raise \$5,000,000. There are no commitments or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming, or as to the terms of any such financings. Any future financing may involve substantial dilution to existing investors. We have also been relying on our common stock to pay third parties for services which has resulted substantial dilution to existing investors. 7. Subsequent Events.

On July 24, 2006, Ross-Lyndon James and Brian Harcourt effectively resigned as officers and directors of the Company. Ross Lyndon-James had served as the Company's Chief Executive Officer and Brian Harcourt had served as the Company's Chief Financial Officer since the Merger of the Company and Es3 on or about July 19, 2005. Under the terms of the resignation, Mr. Harcourt and Mr. Lyndon-James will receive \$50,000. cash each in exchange for relinquishing their rights in the termination shares under their respective Management Employment Agreements. As the warrants issued to Mr. Harcourt and Mr. Lyndon-James had not vested as of the effective date of their resignation, the warrants effectively expired on July 24, 2006.

The remaining director of the Company, William Courtney, appointed Samvel Petrossian as the Company's Chief Executive Officer and Chief Financial Officer. Mr. Petrossian was also appointed to serve on the Company's board of directors.

Under an agreement with the Company, Mr. Petrossian shall be paid a monthly salary of \$5,000 for serving as an officer and director of the Company. At this time, he has not been granted options to acquire any of the Company's stock nor is he participating in any other equity-based compensation plan.

On April 4, 2006, the Company entered into an assignment of an oil and gas lease with Summitt. Under the agreement, the Company agreed to pay Summitt seventy-seven thousand (77,000) restricted shares of the Company's common stock. After June 30, 2006, upon further discussion and negotiation between the parties, the number of shares issuable under the Agreement was modified to reflect the actual intent of the parties and the Company has agreed to issue an aggregate total of six hundred seventy-seven thousand (677,000) restricted shares to Summitt under the assignment agreement.

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### Item 2. Management's Discussion and Analysis or Plan of Operation.

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-QSB, the words "anticipate", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions including the possibility that the Company's proposed plan of operation will fail to generate projected revenues. Additional risks, uncertainties and assumptions include, but are not limited to, the factors that we describe in the section entitled "Management's Discussion and Analysis" in the Form 10-KSB/A for the year ended December 31, 2005. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

## General

On July 19, 2005, the Company completed the acquisition of Es3. Pursuant to the terms of the Exchange Agreement dated as of June 30, 2005, by and among the Company, Crown Partners, the largest stockholder of the Company prior to the Closing, Es3, and certain stockholders of Es3, the Company acquired 17,798,750 shares of the outstanding capital stock of Es3 in exchange for the Company's issuance to the Es3 Stockholders of 17,798,750 shares of the Company's common stock. In connection with the Exchange Agreement, the Company also issued 78,751 shares to the former owners of National Healthcare Technology, Inc., 905,438 shares to Crown Partners and 400,000 shares between to two individuals, dba. WB International, Inc. that provided consulting and advisory services to the Company (the "Consultants").

As a result of the transactions contemplated by the Exchange Agreement, during the year 2005, we had one active operating subsidiary, Es3. Es3 was formed on January 27, 2005, and began operations in March 2005 in the business of manufacturing and distributing a range of decorative stone veneers and finishes based on proprietary "Liquid Stone Coatings" and "Authentic Stone Veneers".

From January 27, 2005 (inception) to March 31, 2006, the Company has had \$0 revenues, and a net operating loss of \$24,579,628.

## Plan of Operation

On April 3, 2006, our Board of Directors approved a change of direction for the Company, from the business of manufacturing and distributing decorative stone veneers and finishes, to the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. This plan of operating will include the acquiring of proven fields and the developing of these properties by commencing drilling operations. In order to maximize economies of scale and to leverage the knowledge and expertise of others, we will partner with third parties to exploit any such properties.

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Upon the closing of the Exchange Agreement, we had planned to market our coatings and veneers to both commercial and residential markets, which we intended to fund by using the public markets to secure additional working capital and to make acquisitions using either Common Stock or cash. A significant component of our intermediate term growth strategy was the acquisition and integration of companies in related building materials fields. We had expected to take advantage of synergies among related businesses to increase revenues and take advantage of economies of scale to reduce operating costs.

In conjunction with our change of direction, in April 2006, we entered into a consulting agreement with Summitt Oil and Gas, Inc. ("Summitt"), as well as other third parties, to provide business management services, and advice as it relates to the future of the company. This service shall include the drafting and preparation of business plans, operating budgets, cash flow projections and other business management services as we venture into the oil and gas business.

In April 2006 we executed an assignment of an oil and gas lease under which we acquired 100% of the leasehold rights to drill and otherwise exploit 160 acres of certain underlying oil and gas reserves located in the County of Custer, Oklahoma, which we acquired from Summitt for 77,000 restricted shares of our

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common stock and agreed to pay Summitt a royalty equal to 3% of the value of all oil produced and removed under the lease and the net proceeds received by us from the sale of all gas and casinghead gasoline produced and sold under the lease. The leasehold interest is not developed and accordingly not currently producing oil or gas. Upon receiving the necessary capitalization, we intend to explore the development of this field.

In April 2006, we entered into a consulting agreement with BlueFin, Inc. ("BlueFin"). BlueFin has been retained to provide business development, investor relations services, and introductions to qualified funding sources, introductions to oil and gas business prospects and introductions to accredited investors. By leveraging BlueFin's resources the Company anticipates that it will be able to find sources of capital to fund its operations in the oil and gas business.

In April 2006, we also entered into an agreement with Monterosa Group Limited ("Monterossa"). Monterossa has been retained to provide services including operation administration, transaction processing and management, systems development, staff recruitment, acquisition transaction support services, and other business management services as the Company moves into the oil and gas business.

In April 2006, we also engaged Camden Holdings, Inc. ("Camden"), an entity experienced in the energy sector that will assist the Company in locating oil and gas opportunities for us. Camden's services include the drafting and preparation of business plans, operating budgets, cash flow projections and other business management services as we venture into the oil and gas business. We have also been able to leverage our relationship with Camden to obtain short-term financing as needed.

In April 2006, we also engaged Design, Inc. ("Design"), an entity experienced in the energy sector that will assist the Company in financing the transactions introduced by Camden and our other consultants.

We believe that by changing our direction to the oil and gas markets we have improved our prospects for success due to both the current and expected future positive market conditions which we expect to exploit initially from the valuable contacts, industry expertise and business opportunities we expect to derive from Summitt, an industry experienced consulting resource, and other third party consultants.

Additionally, we intend to reincorporate the Company to a Nevada corporation ("Reincorporation"). The business purpose of the Reincorporation is to allow us to avail ourselves to Nevada corporate law. Nevada is a recognized leader in adopting and implementing comprehensive, flexible corporate laws responsive to the legal and business needs of corporations organized under its laws. The Nevada Revised Statutes is an enabling statute that is frequently revised and updated to accommodate changing business needs.

Additionally, consistent with the change of our direction into the oil and gas business, we will also change the Company name to a name in line with a company in the oil and gas business.

We anticipate that we will have to raise additional capital to fund operations over the next 12 months. To the extent that we are required to raise additional funds to acquire properties, and to cover costs of operations, we intend to do so through additional public or private offerings of debt or equity securities, including a drilling fund to raise \$5,000,000. There are no commitments or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming, or as to the terms of any such financings. Any future financing may involve substantial dilution to existing investors. We have also been relying on our common stock to pay third parties for services which



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has resulted substantial dilution to existing investors.

### Estimated Funding Required During the Next Twelve Months:

Prospect Development & Seismic \$1,000,000 to \$5,000,000  
Drilling & Development \$2,500,000 to \$5,000,000  
Offering Costs & Expenses \$50,000 to \$50,000  
General Corporate Expenses \$100,000 to \$150,000  
Working Capital \$700,000 to \$1,000,000

Total \$4,350,000 to \$11,200,000

The minimum expenditures noted above will allow us to commence with acquiring, exploring and developing properties as well as commence drilling operations. In the event that we are able to raise further funds, we will primarily expend such funds on further prospect development and seismic studies and then to fund further drilling operations. Consistent with this change of our business, effective October 1, 2005 we sold all of the capital stock of Es3 to Liquid Stone Partners. A partner holding a minority interest in Liquid Stone Partnerships is also a director of the Company. We currently have one full-time employee. We will primarily rely on outside consultants and do not currently foresee any significant changes in the number of our employees.

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### Item 3. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period ended June 30, 2006 (the "Evaluation Date"). During the course of the audit for our year ended December 31, 2005 in May, 2006, our auditor discovered numerous errors in our financial statements in our financial statements in our quarterly report for the period ended September 30, 2005 as disclosed in our Form 8-K/A filed on June 14, 2006. As a result of these errors, and others, we restated our Form 10-QSB for the quarter ended September 30, 2005, and will restate the financial statements for the period ended June 30, 2005, in our Form 8-K/A filed on January 24, 2006. Our conclusion to restate our Form 10-QSB for the quarter ended September 30, 2005 and Form 8-K/A filed on January 24, 2006, resulted in the Company recognizing that its controls and procedures were not effective as of the period ended December 31, 2005 and constituted material weaknesses which began after the close of the Exchange Agreement on or about July 16, 2005. The material weaknesses were primarily the result of our having no controller and no qualified personnel and as a result, transactions were omitted, recorded incorrectly, or recorded without support. The Company believes that its controls and procedures were effective for the period ended June 30, 2006.

### Limitations on the Effectiveness of Internal Controls

Disclosure controls and procedures are designed to provide reasonable assurance of any entity achieving its disclosure objectives. Our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were not effective as the fiscal year ended December 31, 2005 and the Company has since implemented disclosure controls and procedures to ensure that the Company has the proper disclosure controls and procedures to keep this from happening again. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision-making can be faulty and that breakdowns in

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internal control can occur because of human failures such as simple errors or mistakes or intentional circumvention of the established process.

There were no changes in the Company's internal controls over financial reporting, known to the Chief Executive Officer and Chief Financial Officer, which occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In May, 2006, we remediated the material weakness in internal control over financial reporting by having our Chief Executive Officer and Chief Financial Officer review in detail all adjustments affecting the issuances of our securities and we retained an outside consultant to make accounting entries.

### PART II - OTHER INFORMATION

#### Item 1. Legal Proceedings.

We are not a party to any material pending legal proceeding and no such action by or, to the best of our knowledge, against us have been threatened.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the Quarter ending June 30, 2006, we issued securities using the exceptions available under the Securities Act of 1933 including unregistered sales made pursuant to Section 4(2) of the Securities Act of 1933, as follows:

in April 2006, we issued 1,800,000 shares of our common stock to our Chief Executive Officer in accordance with the terms of the Management Employment Agreement; in April 2006, we issued 1,800,000 shares of its unregistered common stock to our Chief Financial Officer in accordance with the terms of the Management Employment Agreement; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 3,500,000 shares of the Company's common stock to a related party, for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 700,000 shares of the Company's common stock to a third party for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 2,800,000 shares of the Company's common stock to a related party for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 2,500,000 shares of the Company's common stock to a related party for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 1,800,000 shares of the Company's common stock to a related party for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 3,500,000 shares of the Company's common stock to a third party for consulting services; in April 2006, in accordance with the terms of a Consulting Agreement, we issued 3,500,000 shares of the Company's common stock to a related party for consulting services; in June 2006, the Company issued 375,000 shares of the Company's common stock to an individual who is serving on our advisory board; and in June 2006, we issued 375,000 shares of our common stock to an individual who is serving on our advisory board.

#### Item 3. Defaults Upon Senior Securities.

None

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

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None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits.

- 10.4 Consulting Agreement dated April 3, 2006 by and between Summitt Oil and Gas, Inc. and Company (previously filed as an exhibit to our Form 8-K, file no. 001-28911, on April 5, 2006, and incorporated herein by reference).
- 10.5 Management Employment Agreement dated April 3, 2006 by and between Ross Lyndon James and the Company (previously filed as an exhibit to our Form 8-K, file no. 001-28911, on April 5, 2006, and incorporated herein by reference).
- 10.6 Management Employment Agreement dated April 3, 2006 by and between Brian Harcourt and the Company (previously filed as an exhibit to our Form 8-K, file no. 001-28911, on April 5, 2006, and incorporated herein by reference).
- 10.7 2006 Employee Stock Option Plan (previously filed as an exhibit to the Company's Form 8-K, file no. 001-28911, on April 5, 2006, and incorporated herein by reference).
- 10.8 Consulting Agreement by and between us and Camden Holdings, Inc. dated January 8, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.9 Consulting Agreement by and between us and Design, Inc. dated January 8, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.10 Stock Purchase Agreement between us and Liquid Stone Partners dated April 4, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.11 Amended Assignment of leasehold rights between us and Summitt Holdings, Inc. dated April 4, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.12 Consulting Agreement between us and Credit First Holdings, Inc. dated April 5, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.13 Promissory note executed by us to repay Camden Holdings, Inc. dated April 25, 2006 (previously filed as an exhibit to our Form 10-KSB/A, file no. 001-28911, on June 8, 2006, and incorporated herein by reference).
- 10.14 Promissory note executed by us to repay Camden Holdings, Inc. dated June 8, 2006, attached hereto.

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- 31 31.1 Certification by Samvel Petrossian, Chief Executive Officer, as required under Section 302 of Sarbannes-Oxley Act of 2002, attached hereto.

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- 31.2 Certification by Samvel Petrossian, Chief Financial Officer, as required under Section 302 of the Sarbannes-Oxley Act of 2002, attached hereto.

- 32 32.1 Certification as required under Section 906 of Sarbannes-Oxley Act of 2002, attached hereto.

(b) Reports on Form 8-K.

On April 6, 2006, we filed a report on Form 8-K with respect to Item 1.01 Entry Into a Material Definitive Agreement, and Item 7.01 Regulation FD Disclosure.

On June 14, 2006, we filed a report on Form 8-K with respect to Item 4.02 Non-reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL HEALTHCARE TECHNOLOGY, INC.

Date: February 20, 2007

By: /s/ JON CARLSON

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JON CARLSON

Chief Executive Officer

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