

Medical Care Technologies Inc.
Form 10-Q/A
July 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 2)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2012

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

For the transition period from _____ to _____

Commission file number 000-53665

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

Nevada

(State or other jurisdiction of incorporation or organization)

26-4227137
(I.R.S. Employer Identification No.)

Room 815, No. 2 Building
Beixiaojie, Dongzhimen Nei
Beijing, China 10009
(Address of Principal Executive Offices, including zip code)

(8610) 6407 0580
Registrant's telephone number including area code)

(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

Indicate by check mark whether the 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

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to submit and post such files). Yes No

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of July 27, 2012, 2,063,822,019 shares of the issuer's common stock were issued and outstanding.

EXPLANATORY NOTE

Medical Care Technologies Inc.(the “Company”) is filing this Amendment No. 2 to Form 10-Q for the quarter ended March 31, 2012, filed with the Securities and Exchange Commission on May 15, 2012, as amended on May 24, 2012 (the “Quarterly Report”) for the purpose of amending Part I, Item 1. Financial Statements to provide restated financial statements and amended footnotes thereto to reflect several consulting agreements which were not recorded in the previously released unaudited financial statements of the Company. These agreements provided for the issuance of shares of common stock of the Company in consideration for services provided. Accordingly, the Company did not record the issuance of the shares, or the expense associated with the issuance of said shares. The balance sheet, statement of cash flow, statement of expenses and statement of shareholders equity herein have been restated to take into account the effect of such stock issuances. The subsequent events footnote to the financial statements has also been amended and updated accordingly. Except for the inclusion of restated financial statements and amended notes thereto, this Form 10-Q/A has not been updated to reflect events that occurred after May 15, 2012, the filing date of the Quarterly Report. Accordingly, this Form 10-Q/A should be read in conjunction with the Company’s filings made with the SEC subsequent to the filing of the Quarterly Report, including any amendments to those filings. This Form 10-Q/A includes Exhibits 31.1, 31.2, 32.1 and 32.2, new certifications by the company’s principal executive officer and principal financial officer as required by Rule 12b-15.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Medical Care Technologies Inc.
(A Development Stage Company)
March 31, 2012

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Medical Care Technologies Inc.
(A Development Stage Company)
Consolidated Balance Sheets
(Unaudited)

	March 31, 2012 (Restated)	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 784	\$ 3,380
Prepaid expenses	43,069	41,682
Total Current Assets	43,853	45,062
Property and equipment, net of accumulated depreciation of \$50,000 and \$50,000, respectively	20,151	6,200
Intangible asset	457,695	457,695
Deferred financing costs	31,256	4,964
Total Assets	\$ 552,955	\$ 513,921
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 116,652	\$ 90,679
Accrued liabilities	37,603	20,606
Convertible note payable, net of unamortized discount of \$63,530 and \$23,100, respectively	20,302	93,596
Derivative liability	195,931	155,958
Due to related parties	120,178	79,635
Loans payable	81,095	80,981
Total Current Liabilities	571,761	521,455
Convertible note payable, net of unamortized discount of \$20,057 and \$45,500, respectively	2,005	954
Loans payable	130,000	130,000
Total Liabilities	703,766	652,409
Commitments and Contingency		
Stockholders' Deficit		

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Preferred Stock: 100,000,000 shares authorized, \$0.00001 par value, No shares issued and outstanding as of March 31, 2012 and December 31, 2011	–	–
Common Stock: 8,000,000,000 shares authorized, \$0.00001 par value, 566,386,217 and 328,898,953 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	5,664	3,289
Additional Paid-in Capital	4,411,146	4,047,627
Deficit Accumulated During the Development Stage	(4,712,335)	(4,340,564)
Total Stockholders' Deficit	(295,525)	(289,648)
Non-controlling Interest	144,714	151,160
Total Stockholders' Deficit	(150,811)	(138,488)
Total Liabilities and Stockholders' Deficit	\$552,955	\$513,921

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

Medical Care Technologies Inc.

(A Development Stage Company)
Consolidated Statements of Expenses
(Unaudited)

	For the Three Months Ended		Period from
	March 31,		February
	2012	2011	27, 2007
	(Restated)		(Inception)
			to March
			31,
			2012
			(Restated)
Expenses			
General and administrative	\$93,691	\$67,017	\$1,893,484
Depreciation and amortization expense	–	2,500	504,918
Management fees	25,516	44,809	1,258,963
Total Operating Expenses	(119,207)	(114,326)	(3,657,365)
Other Income (Expense)			
Interest expense	(92,481)	(12,369)	(579,989)
Loss on derivative	(166,241)	(929)	(352,409)
Loss on extinguishment of debt	–	–	(37,225)
Loss on settlement of debt	–	–	(13,750)
Foreign currency exchange loss	(288)	(42)	(1,394)
Total Other Income (Expense)	(259,010)	(13,340)	(984,767)
Loss Before Discontinued Operations	(378,217)	(127,666)	(4,642,132)
Loss from Discontinued Operations	–	–	(87,310)
Net Loss	\$(378,217)	\$(127,666)	\$(4,729,442)
Net Loss attributable to non-controlling interest	6,446	1,453	17,107
Net Loss Attributable to Medical Care Technologies Inc.	\$(371,771)	\$(126,213)	\$(4,712,335)
Net Loss Per Common Share – Basic and Diluted available to Medical Care Technologies Inc.:	\$(0.00)	\$(0.00)	
Weighted Average Common Shares Outstanding –Basic and Diluted	427,014,000	163,279,000	

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

Medical Care Technologies Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended		Period from February 27,2007 (Date of Inception) to March 31, 2012 (Restated)
	March 31, 2012 (Restated)	2011	
Cash Flows From Operating Activities:			
Net loss	\$(378,217)	\$(127,666)	\$(4,729,442)
Adjustment to reconcile net loss to net cash used in operating activities:			
Donated services and expenses	–	–	10,500
Depreciation and amortization	–	2,500	504,918
Stock-based compensation	40,026	50,159	2,359,109
Accretion of discount on convertible debt	77,513	8,521	529,136
Loss on derivative	166,241	929	352,409
Loss on extinguishment of debt	–	–	37,225
Loss on settlement of debt	–	–	13,750
Amortization of debt financing costs	3,708	832	16,994
Changes in operating assets and liabilities:			
Prepaid expenses	(1,387)	2,000	(43,069)
Accounts payable	12,022	(15,262)	140,397
Accrued liabilities	21,955	5,787	52,010
Net Cash Used in Operating Activities	(58,139)	(72,200)	(756,063)
Cash Flows From Investing Activities:			
Purchase of property, plant and equipment	–	–	(6,200)
Cash paid for purchase of clinic license	–	–	(457,695)
Net Cash Used in Investing Activities	–	–	(463,895)
Cash Flows From Financing Activities:			
Proceeds from sale of common stock for cash	–	–	141,000
Proceeds from loans payable	–	–	221,189
Proceeds from convertible note payable	15,000	77,000	551,750
Due to related party	40,543	–	144,982
Contributions from non-controlling interest	–	1,600	161,821
Cash Provided by Financing Activities	55,543	78,600	1,220,742
(Decrease) Increase in Cash and Cash Equivalents	(2,596)	6,400	784

Cash and Cash Equivalents – Beginning of Period	3,380	391	–
Cash and Cash Equivalents – End of Period	\$784	\$6,791	\$784
Supplemental Disclosures:			
Interest paid	–	–	–
Income taxes paid	–	–	–
Non-Cash Disclosures:			
Acquisition of property and equipment in accounts payable	\$13,951		\$13,951
Debt discount	\$92,500	\$–	\$612,204
Cancellation of shares	\$–	\$–	\$573
Conversion of derivative liability	\$218,768	\$7,024	\$808,711
Reclassification of related party debt to/from accounts payable	\$–	\$–	\$48,249
Shares issued for acquisition of assets	\$–	\$–	\$504,918
Shares issued upon conversion of convertible debt and accrued interest	\$77,100	\$10,094	\$538,821
Shares issued for deferred financing fees	\$30,000		\$30,000

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

Medical Care Technologies Inc.
(A Development Stage Company)
Consolidated Statement of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Deficit Accumulated During Development Stage	Non- Controlling Interest	Total
Balance – February 27, 2007 (Inception)	–	\$–	\$–	\$ –	\$–	\$–
Issuance of common stock for cash at \$0.00001 pershare to the President of the Company	57,500,000	575	4,425	–	–	5,000
Issuance of common stock for cash at \$0.0001 Pershare	41,400,000	414	35,586	–	–	36,000
Donated services	–	–	5,000	–	–	5,000
Net loss for the period	–	–	–	(37,543)	–	(37,543)
Balance – December 31, 2007	98,900,000	989	45,011	(37,543)	–	8,457
Donated services	–	–	5,500	–	–	5,500
Net loss for the year	–	–	–	(55,742)	–	(55,742)
Balance – December 31, 2008	98,900,000	\$989	\$50,511	\$ (93,285)	\$–	\$(41,785)
Cancellation of common stock	(57,500,000)	(575)	(14,425)	–	–	(15,000)
Issuance of common stock for cash	57,500,000	575	14,425	–	–	15,000
Net loss for the year	–	–	–	(85,121)	–	(85,121)
Balance – December 31, 2009	98,900,000	\$989	\$50,511	\$ (178,406)	\$–	\$(126,906)
Cancellation of common stock	(57,300,000)	(573)	573	–	–	–
Issuance of common stock for acquisition of assets	58,695,000	587	504,331	–	–	504,918
	500,000	5	99,995	–	–	100,000

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Issuance of common stock for cash at \$0.20 per share						
Issuance of common stock for consulting services	16,635,000	166	514,921	–	–	515,087
Issuance of common stock for management services	38,000,000	380	835,620	–	–	836,000
Issuance of common stock for director fees	500,000	5	10,995	–	–	11,000
Issuance of common stock for investor relations services	3,826,087	38	87,962	–	–	88,000
Issuance of common stock for advisory services	1,250,000	13	28,737	–	–	28,750
Stock-based compensation	–	–	3,012	–	–	3,012
Issuance of stock options	–	–	48	–	–	48
Net loss for the year	–	–	–	(2,189,271)	–	(2,189,271)
Balance – December 31, 2010	161,006,087	\$ 1,610	\$ 2,136,705	\$ (2,367,677)	\$–	\$(229,362)

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

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	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During Development Stage	Non- Controlling Interest	Total
Balance – December 31, 2010	161,006,087	\$1,610	\$2,136,705	\$ (2,367,677)	\$–	\$(229,362)
Issuance of common stock for consulting and advisory services	45,000,000	450	411,490	–	–	411,940
Issuance of common stock upon conversion of convertible debt	99,929,606	999	460,722	–	–	461,721
Issuance of common stock for promissory note	1,250,000	12	23,738	–	–	23,750
Issuance of common stock for management services	11,500,000	115	165,985	–	–	166,100
Issuance of common stock for administrative services	5,125,000	52	65,216	–	–	65,268
Issuance of common stock for investor relations services	5,088,260	51	82,449	–	–	82,500
Conversion feature on convertible debt	–	–	589,943	–	–	589,943
Stock-based compensation	–	–	111,379	–	–	111,379
Net loss for the period	–	–	–	(1,972,887)	(10,661)	(1,983,548)
Contribution from non-controlling interest	–	–	–	–	161,821	161,821
Balance – December 31, 2011	328,898,953	\$3,289	\$4,047,627	\$ (4,340,564)	\$151,160	\$(138,488)
Issuance of common stock for consulting and advisory services	30,000,000	300	40,700	–	–	41,000
Issuance of common stock upon conversion of convertible debt	174,153,931	1,742	75,358	–	–	77,100

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Issuance of common stock for financing fees	33,333,333	333	29,667	–	–	30,000
Conversion feature on convertible debt	–	–	218,768	–	–	218,768
Stock-based compensation	–	–	(974)	–	–	(974)
Net loss for the period	–	–	–	(371,771)	(6,446)	(378,217)
Balance – March 31, 2012 (Restated)	566,386,217	\$5,664	\$4,411,646	\$ (4,712,335)	\$144,714	\$(150,811)

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

Medical Care Technologies Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements

1. Nature of Operations and Continuance of Business

Medical Care Technologies Inc. (“we”, “our”, the “Company”) was incorporated in the State of Nevada on February 27, 2007 under the name of “Aventerra Explorations Inc.” and changed its name to “AM Oil Resources & Technology Inc.” on December 3, 2008. On September 28, 2009, the Company incorporated Medical Care Technologies Inc. for the sole purpose of effecting a name change. On October 6, 2009, the Company effected a merger with the wholly owned subsidiary and assumed the subsidiary’s name. In conjunction with the name change, the Company has also been granted a new trading symbol of MDCE. The Company is in the development stage as defined by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915, “Development Stage Entities”.

Basis of Presentation

These accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s December 31, 2011 Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year end December 31, 2011 as reported on Form 10-K, have been omitted.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations. As at March 31, 2012, the Company has working capital deficit of \$527,908 and has accumulated losses of \$4,712,335 since inception. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. These consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Aventerra Explorations Ltd, a company incorporated in England, and the accounts of an incorporated venture, ReachOut Holdings Limited, in which the Company holds a 65% interest and maintains majority voting control. All inter-company accounts and transactions have been eliminated.

The Company entered into a joint venture agreement, pursuant to which the Company and the joint venture partner incorporated a new Hong Kong company on March 18, 2011 called ReachOut Holdings Limited for the purpose of operating children's healthcare centers.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

Recently Adopted Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have impact on its financial position or results of operations.

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Medical Care Technologies Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements

2. Property and Equipment

	Cost \$	Accumulated Depreciation \$	March 31, 2012 Net Carrying Value \$	December 31, 2011 Net Carrying Value \$
Computer hardware	30,000	30,000	–	–
Equipment	20,000	20,000	–	–
Leasehold improvements	20,151	–	20,151	6,200
	70,151	50,000	20,151	6,200

3. Related Party Transactions

- a) During the three months ended March 31, 2012, the Company recognized \$25,000 of management fees for the President of the Company. At March 31, 2012, the Company is indebted to the President of the Company for \$100,000 for management fees owed to the President of the Company. The Company is also indebted to the President of the Company and a company controlled by the President of the Company for \$11,913 for expenses paid on behalf of the Company. These amounts are unsecured, bear no interest and are due on demand.
- b) On April 23, 2012, the Company entered into a CEO Agreement with the President of the Company, which has an initial term of 1 year commencing December 1, 2011. Pursuant to the agreement, the Company agreed to pay the President an annual compensation of \$120,000 commencing February 1, 2012 and to issue 120,000,000 restricted shares of common stock to the President. On April 30, 2012, the Company issued the 120,000,000 shares to the President. Refer to Note 12(e) and (l).
- c) At March 31, 2012, the Company is indebted to the Chief Operating Officer of the Company for \$8,251 for expenses paid on behalf of the Company. This amount is unsecured, bears no interest and is due on demand.
- d) On February 1, 2011, the Company issued 100,000 stock options to the COO with an exercise price of \$0.25 per share. The 100,000 stock options are exercisable until February 1, 2016. 50,000 stock options vested on August 1, 2011, 25,000 stock options vest on January 1, 2012, and 25,000 stock options vest on August 1, 2012. The fair value for these stock options was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted average expected life of 10.01 years, a risk-free rate of 3.48%, an expected volatility of 250%, and a 0% dividend yield. The weighted fair value of stock options was \$0.014 per share. During the three months ended March 31, 2012, the Company recorded stock-based compensation of \$58 as management fees.
- e) On December 30, 2010, the Company issued 500,000 stock options to the President of the Company with an exercise price of \$0.25 per share. The 500,000 stock options are exercisable until December 30, 2015. 125,000 stock options vested on June 28, 2011, 125,000 vested on Dec 28, 2011, and 250,000 stock options vest on June 28, 2012. The fair value for these stock options were estimated at the date of grant using the Black-Scholes

option-pricing model assuming a weighted average expected life of 10.01 years, a risk-free rate of 3.38%, an expected volatility of 251%, and a 0% dividend yield. The weighted fair value of stock options was \$0.011 per share. During the three months ended March 31, 2012, the Company recorded stock-based compensation of \$458 as management fees.

- f) On December 30, 2010, the Company issued an aggregate of 250,000 stock options to four directors of the Company with an exercise price of \$0.25 per share. The 250,000 stock options are exercisable until December 30, 2015. 99,998 stock options vested on June 28, 2011, 75,001 stock options vested on December 28, 2011, and 75,001 stock options vest on June 28, 2012. The fair value for these stock options were estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted average expected life of 10.01 years, a risk-free rate of 3.38%, an expected volatility of 251%, and a 0% dividend yield. The weighted fair value of stock options was \$0.011 per share. During the three months ended March 31, 2012, the Company recorded stock-based compensation of \$137 as management fees.

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Medical Care Technologies Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements

4. Loans payable

The following table summarizes the change in loans payable for the three months ended March 31, 2012:

Balance at December 31, 2011	\$210,981
Addition of new loan payable	-
Settlement of loan payable	-
Foreign exchange translation	114
Balance at March 31, 2012	\$211,095

As of March 31, 2012, the Company is in default of its loans amounting to \$81,095.

5. Convertible Notes Payable

- a) On June 1, 2011, the Company entered into a Securities Purchase Agreement with Asher for the sale of a Convertible Promissory Note (the "Note") in the principal amount of \$32,500. The Company received net proceeds from the issuance of the Note in the amount of \$30,000 and incurred debt financing costs of \$2,500, which will be amortized over the term of the Note. The Note, which is due on March 6, 2012, bears interest at the rate of 8% per annum. Any amount of principal or interest on this note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid. All principal and accrued interest on the Note is convertible into shares of the Company's common stock at the election of Asher at any time after 180 days from June 1, 2011 at a conversion price equal to a 39.9% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to conversion. The derivative treatment would not become applicable until the Note becomes convertible on November 28, 2011.

The Conversion Price is reduced when the Company issues or grants i) any shares of its common stock, or ii) any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, or iii) other securities convertible into or exchangeable for common stock, in each case for consideration (or with a conversion price) per common share less than the conversion price in effect immediately prior to the issuance or sale of such securities or instruments, or without consideration. Upon the issuance or sale of such equity securities, the conversion price shall (until another such issuance or sale) be reduced to the price equal to the price (or conversion price) of any such securities or instruments.

At any time during the period beginning on June 1, 2011 (issue date) and ending on the 90th day following the issue date, the Company has the option to redeem this note and pay the note holder 150% of the unpaid principal and accrued interest. At any time during the period beginning on the 91st day from the issue date and ending on the 180th day following the issue date, the Company has the option to redeem this note and pay the note holder 175% of the unpaid principal and accrued interest. There is no right to repay after the 181th day of issuance.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$27,056 as a derivative liability, reduced the carrying value of the convertible loan to \$5,444 upon the commencement of the conversion period on November 28, 2011. The initial fair value of the derivative liability at November 28, 2011 of \$27,056 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0029, a conversion price of \$0.002, expected volatility of 241%, no expected dividends, an expected term of 0.27 year and a risk-free interest rate of 0.03%. The discount on the convertible loan is accreted over the term of the

convertible loan.

On December 12, 2011, the Company issued 8,333,333 restricted shares of common stock upon the conversion of the principal amount of \$10,000. Before the conversion of the note on December 12, 2011, the Company recorded accretion of \$2,037. Upon the conversion of the note, the Company recognized unamortized discount of \$7,698 as interest expense. The fair value of the derivative liability at December 12, 2011 was \$57,269 and \$17,621 was reclassified to additional paid-in capital upon the conversion of principal amount of \$10,000. The fair value of the derivative liability at December 12, 2011 was determined using the Black Scholes option pricing model with a quoted market price of \$0.003, a conversion price of \$0.0012, expected volatility of 271%, no expected dividends, an expected term of 0.23 years and a risk-free interest rate of 0.01%.

On December 22, 2011, the Company issued 7,692,308 restricted shares of common stock upon the conversion of the principal amount of \$10,000. Before the conversion of the note on December 22, 2011, the Company recorded accretion of \$1,384. Upon the conversion of the note, the Company recognized unamortized discount of \$7,083 as interest expense. The fair value of the derivative liability at December 22, 2011 was \$34,299 and \$15,244 was reclassified to additional paid-in capital upon the conversion of principal amount of \$10,000. The fair value of the derivative liability at December 22, 2011 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0027, a conversion price of \$0.0013, expected volatility of 371%, no expected dividends, and expected term of 0.21 years and a risk-free interest rate of 0.01%.

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Medical Care Technologies Inc.
(A Development Stage Company)
Notes to the Consolidated Financial Statements

On January 3, 2012, the Company modified the terms of the convertible promissory note. The conversion rate for the convertible note was amended to the lesser of the variable conversion price of 65% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to the conversion and the fixed conversion price of \$0.0005.

The modification was analyzed under ASC 470-50 "Debt – Modifications and Extinguishments," to determine if extinguishment accounting was applicable. The present value of the future cash flows was less than 10% different than the cash flows of the original debt as there was no change to the principal, interest or maturity date and thus no change in cash flows. The only change was to the previously bifurcated conversion option accounted under ASC 815, "Derivatives and Hedging". Pursuant to ASC 470-50-40-11, the guidance found in ASC 470-50 does not apply to previously bifurcated embedded conversion options accounted for under ASC 815. As a result of the guidance found in ASC 470-50, it was concluded there was no extinguishment of debt, no gain or loss was recognized upon modification and no change to the carrying value of the debt was recognized.

The Company then analyzed the modification of the conversion feature pursuant to ASC 815. The change in terms of the conversion features would have resulted in a change in the fair value of the derivative liability. As the derivative liability is marked to fair value at each reporting period, the change in fair value as a result of the modification was recorded during the three months ended March 31, 2012.

On January 11, 2012, the Company issued 13,000,000 restricted shares of common stock upon the conversion of the principal amount of \$6,500. Before the conversion of the note on January 11, 2012, the Company recorded accretion of \$1,150. Upon the conversion of the note, the Company recognized unamortized discount of \$3,550 as interest expense. The fair value of the derivative liability at January 11, 2012 was \$40,374 and \$20,995 was reclassified to additional paid-in capital upon the conversion of principal amount of \$6,500. The fair value of the derivative liability at January 11, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0020, a conversion price of \$0.0005, expected volatility of 378%, no expected dividends, and expected term of 0.15 years and a risk-free interest rate of 0.02%.

On January 20, 2012, the Company issued 11,000,000 restricted shares of common stock upon the conversion of the principal amount of \$5,500. Before the conversion of the note on January 20, 2012, the Company recorded accretion of \$632. Upon the conversion of the note, the Company recognized unamortized discount of \$2,424 as interest expense. The fair value of the derivative liability at January 20, 2012 was \$15,950 and \$14,621 was reclassified to additional paid-in capital upon the conversion of principal amount of \$5,500. The fair value of the derivative liability at January 20, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0017, a conversion price of \$0.0005, expected volatility of 411%, no expected dividends, and expected term of 0.13 years and a risk-free interest rate of 0.04%.

On January 25, 2012, the Company issued 3,600,000 restricted shares of common stock upon the conversion of the principal amount of \$500 and accrued interest of \$1,300. Upon the conversion of the note, the Company recognized unamortized discount of \$220 as interest expense. The fair value of the derivative liability at January 25, 2012 was \$1,084 and this amount was reclassified to additional paid-in capital upon the conversion of principal amount of \$500. The fair value of the derivative liability at January 25, 2011 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0015, a conversion price of \$0.0005, expected volatility of 347%, no expected dividends, and expected term of 0.11 years and a risk-free interest rate of 0.04%.

During the three months ended March 31, 2012, the Company recognized a loss of \$20,084 on the change in fair value of the derivative liability.

- b) On June 1, 2011, the Company entered into a Convertible Promissory Note agreement for \$55,000. Pursuant to the agreement, the loan is convertible into shares of common stock at a variable conversion price equal to the lower of 70% of the average of the lowest three closing bid prices for the common stock during the 10 trading days prior to the date of the conversion notice. The loan bears interest at 8% per year and the principal amount and any interest thereon are due on May 31, 2012.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$79,141 as a derivative liability and reduced the carrying value of the convertible loan to \$500. The initial fair value of the derivative liability at June 1, 2011 of \$79,141 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0180, a conversion price of \$0.0094, expected volatility of 186%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.18%. The discount on the convertible loan is accreted over the term of the convertible loan.

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On December 9, 2011, the Company modified the terms of the convertible promissory note. The modified note bears interest at 15% per annum (20% during such period, if any, that the Company fails to timely file its periodic reports pursuant to the Securities Exchange Act of 1934 and 18% after the 10th day after an event of default occurs) and all unpaid principal and accrued interest on the modified note shall be due and payable on December 9, 2013 (unless extended by the note holder by the amount of days of the pendency of an event of default) in cash or common stock of the Company, at the note holder's option. The modified note is convertible, at any time, in whole or in part, at the note holder's option, into common stock of the Company at an initial conversion price per share equal to 50% of the average of the five lowest intraday prices of the Company's common stock during the previous 20 trading days.

The modified debenture also provides that 30,000,000 shares of the Company's common stock to be held in escrow pursuant to a stock escrow agreement among the Company, the note holder and the escrow agent.

Pursuant to ASC 470-50, "Debt – Modification and Extinguishment," it was determined that the original and modified notes are substantially different and the Company treated the original convertible note extinguished and exchanged for a new convertible note. The modified note was initially recorded at fair value and that amount was compared to the carrying value of the original note prior to modification to determine the gain or loss on extinguishment of debt.

On December 9, 2011, prior to the modification of the convertible note, the carrying value of the convertible note was \$61,586 (principal amount of \$55,000 plus accrued interest of \$2,302 plus derivative liability of \$55,611 less unamortized discount of \$51,327).

The Company determined the fair value of the embedded conversion feature of the modified debt pursuant to ASC 815, "Derivatives and Hedging." The initial fair value of the derivative liability of the modified debt instrument at December 9, 2011 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0022, a conversion price of \$0.0011, expected volatility of 205%, no expected dividends, an expected term of two years and a risk-free interest rate of 0.22%. The Company recognized the fair value of the embedded conversion feature of \$98,811 as a derivative liability and reduced the value of the convertible loan to \$nil.

The fair value of the modified debt of \$98,811 (principal amount of \$55,000 plus derivative liability of \$98,811 less unamortized discount of \$55,000) was compared to the carrying value of the original debt of \$61,586 and the Company recorded a loss on extinguishment of debt of \$37,225.

On December 19, 2011, the Company issued 9,000,000 restricted shares of common stock upon the conversion of the principal amount of \$9,000. Before the conversion of the modified note on December 19, 2011, the Company recorded accretion of \$543. Upon the conversion of the note, the Company recognized the unamortized discount of \$8,911 as interest expense. The fair value of the derivative liability at December 19, 2011 was \$153,398 and \$25,101 was reclassified to additional paid-in capital upon the conversion of the principal amount of \$9,000. The fair value of the derivative liability at December 19, 2011 was determined using the Black Scholes option pricing model with a quote market price of \$0.0030, a conversion price of \$0.0010, expected volatility of 217%, no expected dividends, an expected term of 1.98 years and a risk-free interest rate of 0.24%.

On January 5, 2012, the Company issued 3,465,347 restricted shares of common stock upon the conversion of the principal amount of \$3,500. Before the conversion of the modified note on January 5, 2012, the Company recorded accretion of \$18. Upon the conversion of the note, the Company recognized the unamortized discount of \$3,461 as interest expense. The fair value of the derivative liability at January 5, 2012 was \$104,512 and \$7,952 was reclassified

to additional paid-in capital upon the conversion of the principal amount of \$3,500. The fair value of the derivative liability at January 5, 2012 was determined using the Black Scholes option pricing model with a quote market price of \$0.0025, a conversion price of \$0.0010, expected volatility of 216%, no expected dividends, an expected term of 1.93 years and a risk-free interest rate of 0.27%.

On January 23, 2012, the Company issued 13,333,333 restricted shares of common stock upon the conversion of the principal amount of \$8,800. Before the conversion of the modified note on January 23, 2012, the Company recorded accretion of \$71. Upon the conversion of the note, the Company recognized the unamortized discount of \$8,686 as interest expense. The fair value of the derivative liability at January 23, 2012 was \$138,042 and \$28,583 was reclassified to additional paid-in capital upon the conversion of the principal amount of \$8,800. The fair value of the derivative liability at January 23, 2012 was determined using the Black Scholes option pricing model with a quote market price of \$0.0023, a conversion price of \$0.0007, expected volatility of 218%, no expected dividends, an expected term of 1.88 years and a risk-free interest rate of 0.26%.

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On February 6, 2012, the Company issued 13,333,333 restricted shares of common stock upon the conversion of the principal amount of \$8,000. Before the conversion of the modified note on February 6, 2012, the Company recorded accretion of \$51. Upon the conversion of the note, the Company recognized the unamortized discount of \$7,884 as interest expense. The fair value of the derivative liability at February 6, 2012 was \$66,686 and \$15,831 was reclassified to additional paid-in capital upon the conversion of the principal amount of \$8,000. The fair value of the derivative liability at February 6, 2012 was determined using the Black Scholes option pricing model with a quote market price of \$0.0013, a conversion price of \$0.0006, expected volatility of 223%, no expected dividends, an expected term of 1.84 years and a risk-free interest rate of 0.24%.

On March 1, 2012, the Company issued 13,333,333 restricted shares of common stock upon the conversion of the principal amount of \$5,200. Before the conversion of the modified note on March 1, 2012, the Company recorded accretion of \$74. Upon the conversion of the note, the Company recognized the unamortized discount of \$5,110 as interest expense. The fair value of the derivative liability at March 1, 2012 was \$80,429 and \$16,273 was reclassified to additional paid-in capital upon the conversion of the principal amount of \$5,200. The fair value of the derivative liability at March 1, 2012 was determined using the Black Scholes option pricing model with a quote market price of \$0.0013, a conversion price of \$0.0004, expected volatility of 235%, no expected dividends, an expected term of 1.78 years and a risk-free interest rate of 0.30%.

During the three months ended March 31, 2012, a loss of \$4,153 was recognized on the change in fair value of the derivative liability.

- c) On July 20, 2011, the Company entered into a Securities Purchase Agreement with Asher for the sale of a Convertible Promissory Note (the "Note") in the principal amount of \$32,500. The Company received net proceeds from the issuance of the Note in the amount of \$30,000 and incurred debt financing costs of \$2,500, which will be amortized over the term of the Note. The Note, which is due on April 23, 2012, bears interest at the rate of 8% per annum. Any amount of principal or interest on this note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid. All principal and accrued interest on the Note is convertible into shares of the Company's common stock at the election of Asher at any time after 180 days from July 20, 2011 at a conversion price equal to a 39.9% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to conversion. The derivative treatment would not become applicable until the Note becomes convertible on January 16, 2012.

The Conversion Price is reduced when the Company issues or grants i) any shares of its common stock, or ii) any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, or iii) other securities convertible into or exchangeable for common stock, in each case for consideration (or with a conversion price) per common share less than the conversion price in effect immediately prior to the issuance or sale of such securities or instruments, or without consideration. Upon the issuance or sale of such equity securities, the conversion price shall (until another such issuance or sale) be reduced to the price equal to the price (or conversion price) of any such securities or instruments.

At any time during the period beginning on July 20, 2011 (issue date) and ending on the 90th day following the issue date, the Company has the option to redeem this note and pay the note holder 150% of the unpaid principal and accrued interest. At any time during the period beginning on the 91st day from the issue date and ending on the 180th day following the issue date, the Company has the option to redeem this note and pay the note holder 175% of the unpaid principal and accrued interest. There is no right to repay after the 181th day of issuance.

On January 3, 2012, the Company modified the terms of the convertible promissory note. The conversion rate for the convertible note was amended to the lesser of the variable conversion price of 65% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to the conversion and the fixed conversion price of \$0.0005.

The modification was analyzed under ASC 470-50 "Debt – Modifications and Extinguishments," to determine if extinguishment accounting was applicable. The present value of the future cash flows was less than 10% different than the cash flows of the original debt as there was no change to the principal, interest or maturity date and thus no change in cash flows. As a result of the guidance found in ASC 470-50, it was concluded there was no extinguishment of debt, no gain or loss was recognized upon modification and no change to the carrying value of the debt was recognized.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$115,621 as a derivative liability, reduced the carrying value of the convertible loan to \$nil, and recognized a loss of \$83,121 on derivative liability upon the commencement of the conversion period on January 16, 2012. The initial fair value of the derivative liability at January 26, 2012 of \$115,621 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0021, a conversion price of \$0.0005, expected volatility of 350%, no expected dividends, an expected term of 0.27 year and a risk-free interest rate of 0.03%. The discount on the convertible loan is accreted over the term of the convertible loan.

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On January 30, 2012, the Company issued 14,893,617 restricted shares of common stock upon the conversion of the principal amount of \$7,000. Before the conversion of the note on January 30, 2012, the Company recorded accretion of \$1,185. Upon the conversion of the note, the Company recognized unamortized discount of \$6,745 as interest expense. The fair value of the derivative liability at January 30, 2012 was \$96,536 and \$20,793 was reclassified to additional paid-in capital upon the conversion of principal amount of \$7,000. The fair value of the derivative liability at January 30, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0017, a conversion price of \$0.0005, expected volatility of 360%, no expected dividends, an expected term of 0.23 years and a risk-free interest rate of 0.05%.

On February 8, 2012, the Company issued 16,666,667 restricted shares of common stock upon the conversion of the principal amount of \$6,500. Before the conversion of the note on February 8, 2012, the Company recorded accretion of \$819. Upon the conversion of the note, the Company recognized unamortized discount of \$6,054 as interest expense. The fair value of the derivative liability at February 8, 2012 was \$67,796 and \$17,282 was reclassified to additional paid-in capital upon the conversion of principal amount of \$6,500. The fair value of the derivative liability at February 8, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0013, a conversion price of \$0.0004, expected volatility of 357%, no expected dividends, an expected term of 0.21 years and a risk-free interest rate of 0.09%.

On February 17, 2012, the Company issued 17,567,568 restricted shares of common stock upon the conversion of the principal amount of \$6,500. Before the conversion of the note on February 17, 2012, the Company recorded accretion of \$1,148. Upon the conversion of the note, the Company recognized unamortized discount of \$5,661 as interest expense. The fair value of the derivative liability at February 17, 2012 was \$41,500 and \$14,197 was reclassified to additional paid-in capital upon the conversion of principal amount of \$6,500. The fair value of the derivative liability at February 17, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0011, a conversion price of \$0.0004, expected volatility of 299%, no expected dividends, an expected term of 0.18 years and a risk-free interest rate of 0.06%.

On February 27, 2012, the Company issued 17,241,379 restricted shares of common stock upon the conversion of the principal amount of \$5,000. Before the conversion of the note on February 27, 2012, the Company recorded accretion of \$1,578. Upon the conversion of the note, the Company recognized unamortized discount of \$3,724 as interest expense. The fair value of the derivative liability at February 27, 2012 was \$78,851 and \$31,540 was reclassified to additional paid-in capital upon the conversion of principal amount of \$5,000. The fair value of the derivative liability at February 27, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0021, a conversion price of \$0.0003, expected volatility of 315%, no expected dividends, an expected term of 0.15 years and a risk-free interest rate of 0.10%.

On March 13, 2012, the Company issued 17,567,568 restricted shares of common stock upon the conversion of the principal amount of \$6,500. Before the conversion of the note on March 13, 2012, the Company recorded accretion of \$2,811. Upon the conversion of the note, the Company recognized unamortized discount of \$2,405 as interest expense. The fair value of the derivative liability at March 13, 2012 was \$19,846 and \$17,200 was reclassified to additional paid-in capital upon the conversion of principal amount of \$6,500. The fair value of the derivative liability at March 13, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0013, a conversion price of \$0.0004, expected volatility of 341%, no expected dividends, an expected term of 0.11 years and a risk-free interest rate of 0.06%.

On March 19, 2012, the Company issued 5,714,286 restricted shares of common stock upon the conversion of the principal amount of \$1,000 and accrued interest of \$1,000. Upon the conversion of the note, the Company recognized unamortized discount of \$370 as interest expense. The fair value of the derivative liability at March 19, 2012 was \$1,736 and this amount was reclassified to additional paid-in capital upon the conversion of principal amount of \$1,000. The fair value of the derivative liability at March 19, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0009, a conversion price of \$0.0004, expected volatility of 347%, no expected dividends, an expected term of 0.10 years and a risk-free interest rate of 0.07%.

On March 19, 2012, the Company issued 937,500 restricted shares of common stock upon the conversion of accrued interest of \$300.

During the three months ended March 31, 2012, a loss of \$70,248 was recognized on the change in fair value of the derivative liability.

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- d) On September 9, 2011, the Company entered into a Securities Purchase Agreement with Asher for the sale of a Convertible Promissory Note (the "Note") in the principal amount of \$45,000. The Company received net proceeds from the issuance of the Note in the amount of \$42,500 and incurred debt financing costs of \$2,500, which will be amortized over the term of the Note. The Note, which is due on June 12, 2012, bears interest at the rate of 8% per annum. Any amount of principal or interest on this note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid. All principal and accrued interest on the Note is convertible into shares of the Company's common stock at the election of Asher at any time after 180 days from September 9, 2011 at a conversion price equal to a 45% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to conversion. The derivative treatment would not become applicable until the Note becomes convertible on March 7, 2012.

The Conversion Price is reduced when the Company issues or grants i) any shares of its common stock, or ii) any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, or iii) other securities convertible into or exchangeable for common stock, in each case for consideration (or with a conversion price) per common share less than the conversion price in effect immediately prior to the issuance or sale of such securities or instruments, or without consideration. Upon the issuance or sale of such equity securities, the conversion price shall (until another such issuance or sale) be reduced to the price equal to the price (or conversion price) of any such securities or instruments.

At any time during the period beginning on September 7, 2011 (issue date) and ending on the 90th day following the issue date, the Company has the option to redeem this note and pay the note holder 150% of the unpaid principal and accrued interest. At any time during the period beginning on the 91st day from the issue date and ending on the 180th day following the issue date, the Company has the option to redeem this note and pay the note holder 175% of the unpaid principal and accrued interest. There is no right to repay after the 181th day of issuance.

On January 3, 2012, the Company modified the terms of the convertible promissory note. The conversion rate for the convertible note was amended to the lesser of the variable conversion price of 65% discount to the average of the 3 closing bid prices of the common stock during the 10 trading day period prior to the conversion and the fixed conversion price of \$0.0005.

The modification was analyzed under ASC 470-50 "Debt – Modifications and Extinguishments," to determine if extinguishment accounting was applicable. The present value of the future cash flows was less than 10% different than the cash flows of the original debt as there was no change to the principal, interest or maturity date and thus no change in cash flows. As a result of the guidance found in ASC 470-50, it was concluded there was no extinguishment of debt, no gain or loss was recognized upon modification and no change to the carrying value of the debt was recognized.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$172,698 as a derivative liability, reduced the carrying value of the convertible loan to \$nil, and recognized a loss of \$127,698 on derivative liability upon the commencement of the conversion period on March 7, 2012. The initial fair value of the derivative liability at March 7, 2012 of \$172,698 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0013, a conversion price of \$0.0003, expected volatility of 368%, no expected dividends, an expected term of 0.27 year and a risk-free interest rate of 0.08%. The discount on the convertible loan is accreted over the term of the convertible loan.

On March 23, 2012, the Company issued 12,500,000 restricted shares of common stock upon the conversion of the principal amount of \$4,000. Before the conversion of the note on March 23, 2012, the Company recorded accretion of \$1,704. Upon the conversion of the note, the Company recognized unamortized discount of \$3,849 as interest expense. The fair value of the derivative liability at March 23, 2012 was \$120,160 and \$10,681 was reclassified to additional paid-in capital upon the conversion of principal amount of \$4,000. The fair value of the derivative liability at March 23, 2012 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0011, a conversion price of \$0.0003, expected volatility of 297%, no expected dividends, an expected term of 0.22 years and a risk-free interest rate of 0.08%.

During the three months ended March 31, 2012, a loss of \$68,733 was recognized on the change in fair value of the derivative liability.

e) On November 17, 2011, the Company entered into Convertible Promissory Note agreement for \$25,000. Pursuant to the agreement, the loan is convertible into shares of common stock at a variable conversion price equal to 70% of the average of the lowest three closing bid prices for the common stock during the 10 trading days prior to the date of the conversion notice. The loan bears interest at 8% per year and the principal amount and any interest thereon are due on November 17, 2012.

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Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$16,365 as a derivative liability and reduced the carrying value of the convertible loan to \$8,635. The initial fair value of the derivative liability at November 17, 2011 of \$16,365 was determined using the Black Scholes option pricing model with a quoted market price of \$0.003, a conversion price of \$0.0033, expected volatility of 223%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.10%. The discount on the convertible loan is accreted over the term of the convertible loan.

During the three months ended March 31, 2012, a gain of \$296 was recognized on the change in fair value of the derivative liability.

f) On March 6, 2012, the Company entered into Convertible Promissory Note agreement for \$10,000. Pursuant to the agreement, the loan is convertible into shares of common stock at a variable conversion price equal to 80% of the average of the lowest three closing bid prices for the common stock during the 10 trading days prior to the date of the conversion notice. The loan bears interest at 10% per year and the principal amount and any interest thereon are due on March 5, 2013.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$14,058 as a derivative liability, reduced the carrying value of the convertible loan to \$nil and recognized a loss of \$4,058 on derivative liability. The initial fair value of the derivative liability at March 6, 2012 of \$14,058 was determined using the Black Scholes option pricing model with a quoted market price of \$0.001, a conversion price of \$0.0006, expected volatility of 270%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.17%. The discount on the convertible loan is accreted over the term of the convertible loan.

During the three months ended March 31, 2012, a loss of \$2,214 was recognized on the change in fair value of the derivative liability.

g) On March 8, 2012, the Company entered into Convertible Promissory Note agreement for \$5,000. Pursuant to the agreement, the loan is convertible into shares of common stock at a variable conversion price equal to 80% of the average of the lowest three closing bid prices for the common stock during the 10 trading days prior to the date of the conversion notice. The loan bears interest at 6% per year and the principal amount and any interest thereon are due on March 7, 2013.

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of \$7,547 as a derivative liability, reduced the carrying value of the convertible loan to \$nil and recognized a loss of \$2,547 on derivative liability. The initial fair value of the derivative liability at March 8, 2012 of \$7,547 was determined using the Black Scholes option pricing model with a quoted market price of \$0.0013, a conversion price of \$0.0007, expected volatility of 270%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.18%. The discount on the convertible loan is accreted over the term of the convertible loan.

During the three months ended March 31, 2012, a loss of \$1,105 was recognized on the change in fair value of the derivative liability.

6. Common and Preferred Stock

The preferred stock may be divided into and issued in series by the Board of Directors. The Board is authorized to fix and determine the designations, rights, qualifications, preferences, limitations and terms, within legal limitations. As of March 31, 2012 and December 31, 2011, there was no preferred stock issued and outstanding.

On March 29, 2012, the Company held a Special Meeting of Shareholders and authorized the increasing of authorized capital of the Company from 500,000,000 shares of common stock with a par value of \$0.00001 per share to 8,000,000,000 shares of common stock with a par value of \$0.00001 per share and granted discretionary authority to the Company's Board of Directors to implement a reverse stock split of the Company's common stock, on a basis of up to five hundred pre-consolidation shares within twelve months of the date of the Special Meeting.

Common stock issued during the three months ended March 31, 2012:

- a) On March 31, 2012, the Company issued 33,333,333 restricted shares of common stock at a fair value of \$30,000 for structuring and due diligence fee pursuant to the term sheet as described in Note 11(i).
- b) In November 2011, the Company granted 90,000,000 shares of common stock pursuant to a consulting agreement. The award vests over the 9-month term of the agreement. For the three months ended March 31, 2012, the Company recognized stock-based compensation of \$41,000 which is equivalent to the fair value of the 30,000,000 shares that vested during the period (see Note 11(f)).

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Shares issued upon the conversion of convertible debts:

- a) On January 5, 2012, the Company issued 3,465,347 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(b).
- b) On January 11, 2012, the Company issued 13,000,000 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(a).
- c) On January 20, 2012, the Company issued 11,000,000 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(a).
- d) On January 23, 2012, the Company issued 13,333,333 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(b).
- e) On January 25, 2012, the Company issued 3,600,000 restricted shares of common stock upon the conversion of the convertible note as described in Note 5(a).
- f) On January 30, 2012, the Company issued 14,893,617 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- g) On February 6, 2012, the Company issued 13,333,333 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(b).
- h) On February 8, 2012, the Company issued 16,666,667 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- i) On February 17, 2012, the Company issued 17,567,568 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- j) On February 27, 2012, the Company issued 17,241,379 shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- k) On March 1, 2012, the Company issued 13,333,333 shares of common stock upon the partial conversion of the convertible note as described in Note 5(b).
- l) On March 13, 2012, the Company issued 17,567,568 shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- m) On March 19, 2012, the Company issued 5,714,286 restricted shares of common stock upon the partial conversion of the convertible note as described in Note 5(c).
- n) On March 23, 2012, the Company issued 937,500 shares of common stock upon the conversion of the convertible note as described in Note 5(c).
- o)

On March 23, 2012, the Company issued 12,500,000 shares of common stock upon the partial conversion of the convertible note as described in Note 5(d).

7. Stock Options

On December 30, 2010, the Company adopted a stock option plan named 2010 Stock Option Plan (the "Plan"), the purpose of which is to provide incentives to key employees, officers, directors, consultants, and agents of the Company for high levels of performance and to reward unusual efforts which increase the earnings and long-term growth of the Company. Prior to grant of options under the Plan, there were 10,000,000 shares of common stock available for issuance under the Plan.

During the year ended December 31, 2010, the Company granted 1,350,000 stock options with an exercise price of \$0.25 per share. All 1,350,000 stock options are exercisable until December 30, 2015. Of the 1,350,000 stock options, 458,330 stock options vest on June 28, 2011, 383,335 stock options vest on December 28, 2011 and 508,335 stock options vest on June 28, 2012. The fair value for these stock options was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted average expected life of 10 years, a risk-free rate of 3.38%, an expected volatility of 251%, and a 0% dividend yield. The weighted average fair value of stock options granted was \$0.011 per share. During the three months ended March 31, 2012, the Company reversed stock-based compensation of \$52 included in general and administrative expense and recorded \$458 as management fees. During the three months ended March 31, 2011, the Company recorded stock-based compensation of \$15,335 as general and administrative expense and \$2,699 as management fees.

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During the year ended December 31, 2011, the Company granted 350,000 stock options with an exercise price of \$0.25 per share. Of the 350,000 stock options, 250,000 stock options are exercisable until December 30, 2015 and 100,000 stock options are exercisable until February 1, 2016. Of the 350,000 stock options, 100,000 stock options vest on June 28, 2011, 50,000 stock options vest on August 1, 2011, 75,000 stock options vest on December 28, 2011, 25,000 stock options vest on January 1, 2012, 75,000 stock options vest on June 28, 2012 and 25,000 stock options vest on August 1, 2012. The fair value for these stock options was estimated at the date of grant using the Black-Scholes option-pricing model assuming a weighted average expected life of 9.47 years, a risk-free rate of 2.37%, an expected volatility of 214%, and a 0% dividend yield. The weighted average fair value of stock options granted was \$0.0093 per share. During the three months ended March 31, 2012, the Company reversed stock-based compensation of \$77 included in general and administrative expense and recorded \$58 as management fees. During the three months ended March 31, 2011, the Company recorded stock-based compensation of \$1,555 as general and administrative expense and \$328 as management fees.

A summary of the Company's stock option activity is as follows:

	Number of Options #	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years) #	Aggregate Intrinsic Value \$
Outstanding, December 31, 2010	1,350,000	0.25		
Granted	350,000	0.25		
Outstanding, December 31, 2011	1,700,000	0.25		
Granted	–	–		
Outstanding, March 31, 2012	1,700,000	0.25	3.76	–
Exercisable, March 31, 2012	1,091,665	0.25	3.75	–

A summary of the status of the Company's non-vested stock options as of March 31, 2012, and changes during the three months ended March 31, 2012 are presented below:

Non-vested options	Number of Options #	Weighted Average Grant Date Fair Value \$
Non-vested at December 31, 2010	1,350,000	0.011

Granted	350,000	0.018
Vested	(1,066,665)	0.015
Non-vested at December 31, 2011	633,335	0.008
Granted	—	—
Vested	(25,000)	0.011
Non-vested at March 31, 2012	608,335	0.007

At March 31, 2012, there was \$692 of unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan. There was \$0 intrinsic value associated with the outstanding options at March 31, 2012.

8. Share Purchase Warrants

A summary of the changes in the Company's share purchase warrants is presented below:

	Number of Warrants #	Exercise Price \$
Balance, December 31, 2010 and 2011	500,000	0.15
Expired	(500,000)	0.15
Balance, March 31, 2012	—	—

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9. Derivative Instruments

In June 2008, the FASB ratified ASC 815-15, Derivatives and Hedging – Embedded Derivatives (“ASC 815-15”). ASC 815-15, specifies that a contract that would otherwise meet the definition of a derivative, but is both (a) indexed to its own stock and (b) classified in stockholders’ equity in the statement of financial position would not be considered a derivative financial instrument. ASC 815-15 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock, including evaluating the instrument’s contingent exercise and settlement provisions, and thus able to qualify for the ASC 815-15 scope exception. It also clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. ASC 815-15 is effective for the first annual reporting period beginning after December 15, 2008 and early adoption is prohibited.

Convertible Debt – The embedded conversion option in the Company’s convertible notes described in Note 5 contain a conversion feature that qualifies for embedded derivative classification. The fair value of these liabilities will be re-measured at the end of every reporting period and the change in fair value will be reported in the consolidated statement of operations as a gain or loss on derivative financial instruments.

The following table summarizes the change in derivative liabilities for the three months ended March 31, 2012:

Balance at December 31, 2011	\$155,958
Addition of new derivative liability	92,500
Settlement of derivative liability through conversion of debt	(218,768)
Derivative loss included in other income (expense)	166,241
Balance at March 31, 2012	\$195,931

10. Financial Instruments and Fair Value Measurements

ASC 820 “Fair Value Measurements” requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable, convertible note payable, loans payable and amounts due to related parties. Pursuant to ASC 820, the fair value of cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's operations are in Canada, which results in exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated balance sheet as of March 31, 2012 and December 31, 2011 as follows:

	Fair Value Measurements Using			Balance as of March 31, 2012	Balance as of December 31, 2011
	Quoted Price in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Liabilities:					
Derivative Liabilities	\$ –	\$ –	\$ 195,931	\$ 195,931	\$ 155,958
Total liabilities measured at fair value	\$ –	\$ –	\$ 195,931	\$ 195,931	\$ 155,958

The Company used the Black-Scholes option pricing model to value the embedded conversion features using the following assumptions: number of options as set forth in the convertible note agreements; no expected dividend yield; expected volatility ranging from 159% to 377%; risk-free interest rates ranging from 0% to 0.25% and expected terms based on the contractual term.

11. Commitments

- a) On February 1, 2011, the Company entered into an Executive Officer Employment Agreement with its Chief Operating Officer (“COO”). Pursuant to the agreement, the Company agreed to pay a base compensation to be determined at such time when the Company secures a major financing in excess of \$1,000,000. The Company issued 2,000,000 restricted shares of common stock for the first year of service at a fair value of \$28,000. The Company will determine the stock based compensation for subsequent years 30 days prior to the anniversary date of the agreement. The term of the agreement is 36 months and the agreement is automatically renewable for successive one year. On August 1, 2011, the Company amended the Executive Officer Employment Agreement. Pursuant to the amendment, the Company issued 8,000,000 shares of common stock at a fair value of \$113,600. On April 23, 2012, the Company amended the Executive Officer Employment Agreement. Pursuant to the 2nd amendment, the Company agreed to pay an annual salary of \$60,000 and to issue 80,000,000 restricted shares of common stock. Refer to Note 12(f) and (m).
- b) On May 10, 2011, the Company entered into a management advisory services agreement with a consultant for an initial period of one year. In consideration for such services, the Company is required to make payments of \$25,000 per quarter as well as any out-of-pocket expenses. In the event that the Company is unable to make such payments, they are given the option to issue shares for such services totalling 7,500,000. On June 29, 2011, the Company issued 3,750,000 shares of common stock at a fair value of \$63,750, registered under the June 2, 2011 S-8 Registration Statement. On August 15, 2011, the Company issued 1,250,000 shares of common stock at a fair value of \$17,250, registered under the June 2, 2011 S-8 Registration Statement.

- c) On May 18, 2011, ReachOut entered into two office lease agreements, which commenced on May 22, 2011 until May 21, 2017. The minimum rent from May 22, 2011 to May 21, 2013 is \$5,554 (RMB35,060) per month, the minimum rent from May 22, 2013 to May 21, 2014 is \$5,892 (RMB37,200) per month, the minimum rent from May 22, 2014 to May 21, 2015 is \$6,083 (RMB38,400), the minimum rent from May 22, 2015 to May 21, 2016 is \$6,273 (RMB39,600) and the minimum rent from May 22, 2016 to May 21, 2017 is \$6,558 (RMB41,400). The Company's future minimum lease payments under the existing leases entered into during the year are as follows:

Fiscal year ending December 31, 2012	\$ 49,982 (RMB315,540)
Fiscal year ending December 31, 2013	69,015 (RMB435,700)
Fiscal year ending December 31, 2014	72,040 (RMB454,800)
Fiscal year ending December 31, 2015	74,321 (RMB469,200)
Fiscal year ending December 31, 2016 and after	110,056 (RMB694,800)
	\$375,414 (RMB2,370,040)

- d) On September 1, 2011, the Company entered into a medical director services agreement for a period of 2 years. Pursuant to the agreement, the Company agreed to issue 2,000,000 shares common stock as follows: 1,000,000 within 10 days of the execution of the agreement; and 1,000,000 on September 1, 2012. On September 19, 2011, the Company issued 1,000,000 restricted shares of common stock at a fair value of \$10,000.

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- e) On October 15, 2011, ReachOut entered into an interior design contract with G-Design Consultant Inc. and Art Team Limited (“G-Design”). Pursuant to the agreement, ReachOut agreed to pay a total sum not to exceed \$31,002. The amount is payable as follows: \$6,200 to be paid when the preliminary design phase and presentation have been accomplished; \$13,951 to be paid on completion and acceptance of the final design concept; \$10,851 to be paid when all completed design or construction drawings have been approved by Chinese government officials and departments and is ready to be used for construction. The Company paid \$6,200 to G-Design on November 14, 2011. During the three months ended March 31, 2012, the Company accrued \$13,951 upon the completion and acceptance of the final design concept.
- f) On November 11, 2011, the Company entered into a business advisory and consulting agreement with a consultant for a term of nine months. In consideration for such services, the Company agreed to issue 10,000,000 shares of common stock of the Company each month, for a total of 90,000,000 shares of common stock, which will be registered under a Form S-8 Registration. Pursuant to the agreement, during the period ended December 31, 2011 and March 31, 2012, the Company recognized \$49,000 and \$41,000, respectively, of expense related to this grant (see Note 14).
- g) On November 29, 2011, the Company entered into a finder’s fee agreement with Vince Trapasso (“Trapasso”) whereby the Company agreed to pay finder’s fee in cash equal to 5% and in restricted common shares equal to 5% of the total dollar amount of the financing provided by those persons or entities who were introduced by Trapasso. The initial term of the agreement is one year and the agreement will automatically be renewed at the expiration of the first year of service and at each anniversary of the agreement. After the first anniversary, the agreement can be terminated by either party with 10 days notice. During the year ended December 31, 2011, the Company paid \$2,750 to Trapasso. On April 9, 2012, the Company issued 3,300,000 restricted shares of common stock to Trapasso. Refer to Note 12(c). On June 15, 2012, the Company issued 1,388,889 restricted shares of common stock to Trapasso. Refer to Note 12(dd).
- h) On March 8, 2012, the Company entered into a business consulting services agreement with a consultant whereby the Company agreed to issue 65,000,000 shares of common stock, which will be registered under a Form S-8 Registration agreement. The term of this agreement shall commence on the date common stock share compensation is delivered to the consultant and shall continue for a period of 120 days thereafter. As of March 31, 2012, the Company has not issued any shares to the consultant.
- i) On March 31, 2012, the Company entered into a Funding Term Sheet pursuant to which the investor agreed to purchase \$10,000,000 of the Company’s common stock over the course of 4 years. Upon execution of the Funding Term Sheet, the Company agreed to pay to the investor \$30,000 in restricted stock as compensation for the investor’s structuring, legal, administrative and due diligence costs associated with the proposed transaction. On March 31, 2012, the Company issued 33,333,333 restricted shares of common stock for structuring and due diligence fee.

12. Subsequent Events

- a) On April 1, 2012, the Company entered into a business advisory and consulting agreement with a consultant for a term of nine months. In consideration for such services, the Company agreed to issue 90,000,000 shares of common stock of the Company, which will be registered under a Form S-8 Registration. The 90,000,000 shares will be issued in tranches throughout the term of the agreement as follows: i) 30,000,000 shares upon execution of

the agreement or upon effective filing of the Form S-8, ii) 30,000,000 shares on or before August 1, 2012 and; iii) 30,000,000 shares on or before November 1, 2012.

b) On April 1, 2012, the Company entered into an administrative services agreement for a term of one year. In consideration for such services, the Company agreed to issue 60,000,000 shares of common stock of the Company, which will be registered under a Form S-8 Registration. The 60,000,000 shares will be issued pro rata on a monthly basis with the pro rata shares being due at the end of each month.

c) On April 9, 2012, the Company issued 3,300,000 restricted shares of common stock pursuant to the finder's fee agreement as described in Note 11(g).

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- d) On April 9, 2012, the Company entered into a Business Development Services (China) Agreement for a period of one year for general consulting services in connection with acquiring medical centre licenses and/or operational centres in China. Pursuant to the agreement, the Company agreed to issue 31,885,300 shares of common stock for the introduction of three opportunities for the Company to acquire ownership within a medical center joint venture in China. The 31,885,300 shares are issuable as follows: i) 17,918,606 shares of common stock upon execution of the agreement, ii) 3,981,913 shares of common stock after the signing of the first letter of intent to enter into a joint venture to develop a medical center; iii) 3,981,913 shares of common stock when the Company signs a contract for the first joint venture medical center in China; iv) 2,986,434 shares of common stock when the Company signs a contract for the second joint venture medical center in China; iv) 2,986,434 shares of common stock when the Company signs a contract for the third joint venture medical center in China. On April 30, 2012, the Company issued 9,954,781 restricted shares of common stock.
- e) On April 16, 2012, the Company issued 26,785,714 shares of common stock upon the conversion of \$7,500 of the convertible note as described in Note 5(d).
- f) On April 19, 2012, the Company issued 25,925,926 shares of common stock upon the conversion of \$7,000 of the convertible note as described in Note 5(d).
- g) On April 23, 2012, the Company entered into a CEO Agreement with the President of the Company for a period of one year commencing December 1, 2011. Pursuant to the agreement, the Company agreed to pay an annual base compensation of \$120,000 commencing February 1, 2012 and issued 120,000,000 restricted shares of common stock to the President of the Company
- h) On April 23, 2012, the Company amended the Executive Officer Employment Agreement entered into with its Chief Operating Officer (“COO”) on February 1, 2011 to provide for an annual base compensation of \$60,000 and the issuance of 80,000,000 restricted shares of the Company’s common stock.
- i) On April 23, 2012, the Company entered into a consulting agreement for legal services pursuant to which the Company issued 10,000,000 shares of common stock. The Company will register the shares on a S-8 registration statement.
- j) On April 25, 2012, the Company issued 17,391,304 shares of common stock upon the conversion of \$4,000 of the convertible note as described in Note 5(d).
- k) On April 25, 2012, the Company issued 25,714,286 shares of common stock upon the conversion of \$8,600 of the convertible note as described in Note 5(b).
- l) On April 27, 2012, the Company issued 26,315,789 shares of common stock upon the conversion of \$5,000 of the convertible note as described in Note 5(d).
- m) On May 1, 2012, the Company entered into an administrative and support services agreement for a term of one year. In consideration for such services, the Company agreed to issue 60,000,000 shares of common stock of the Company, which will be registered under a Form S-8 Registration. The 60,000,000 shares will be issued pro rata on a monthly basis with the pro rata shares being due at the end of each month.

- n) On May 1, 2012, the Company entered into an engineering services agreement for a term of four months. In consideration for such services, the Company agreed to pay the consultant at a rate of \$16,250 for each month for which services are provided. The Company will also issue 65,000,000 shares of common stock of the Company, which will be registered under a Form S-8 Registration.

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- o) On May 2, 2012, the Company finalized, executed and delivered a Reserve Equity Financing Agreement (the "Financing Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with AGS Capital Group, LLC ("AGS").

Pursuant to the terms of the Financing Agreement, for a period of 48 months commencing on the date of effectiveness of the registration statement, AGS shall purchase up to \$10,000,000 (the "Commitment Amount") of the Company's common stock. The purchase price of the shares under the Financing Agreement is equal to ninety percent (90%) of the lowest closing bid price of the Company's common stock during the 20 consecutive trading days after the Company delivers to AGS a notice in writing requiring AGS to purchase shares, as further provided for pursuant to the terms of the Financing Agreement. The Company cannot issue any such notices to AGS until a registration statement covering these purchases is declared effective by the Securities and Exchange Commission (the "SEC") and the number of shares sold in each advance shall not exceed 250% of the average daily trading volume. The Company is prohibited from taking certain actions, including issuing shares or convertible securities where the purchase price is determined using any floating discount. The Company is also required to pay a fee of \$250,000 in case of termination of the agreement.

As compensation for AGS's structuring, legal, administrative and due diligence costs associated with the Financing Agreement, the Company issued 33,333,333 restricted common shares of the Company. As further consideration for AGS entering into the Financing Agreement, the Company also issued 444,444,444 restricted common shares to AGS, which equals to two percent (2%) of the Commitment Amount.

In connection with the execution of the Financing Agreement, the Company entered into the Registration Rights Agreement with AGS. Pursuant to the terms of the Registration Rights Agreement, the Company is obligated to file a registration statement with the SEC to cover the shares issued and to be issued to AGS pursuant to the Financing Agreement.

On July 23, 2012, the Company provided formal notice to AGS to terminate the Financing and Registration Rights Agreements and to return the 444,444,444 restricted shares to the Company.

- p) On May 3, 2012, the Company issued 16,842,105 shares of common stock upon the conversion of \$3,200 of the convertible note as described in Note 5(d).
- q) On May 8, 2012, the Company entering into a business consulting services agreement with a consultant whereby the Company agreed to issue 77,000,000 shares of common stock, which will be registered under a Form S-8 Registration agreement. The term of this agreement shall commence on the date common stock share compensation is delivered to the consultant and shall continue for a period of 120 days thereafter.
- r) On May 10, 2012, the Company issued 10,000,000 shares of common stock upon the conversion of \$2,600 of the convertible note as described in Note 5(d).
- s) On May 16, 2012, the Company entered into a China logistics consulting agreement for a term of ten months. In consideration for such services, the Company issued 55,000,000 restricted shares of common stock of the Company on June 7, 2012.

t)

On May 17, 2012, the Company entered into a communications consulting agreement for a term of three months. In consideration for such services, the Company issued 100,000 restricted shares of common stock of the Company on May 30, 2012.

- u) On May 18, 2012, the Company entered into an administrative services agreement for a term of one year. In consideration for such services, the Company agreed to issue 60,00,000 restricted shares of common stock, payable as follows: i) 30,000,000 shares upon execution of the agreement and; ii) 30,000,000 shares on or before November 18, 2012. On June 7, 2012, the Company issued 30,000,000 restricted shares of common stock.
- v) On May 21, 2012, the Company modified the term of the convertible note as described in Note 5(e). The conversion rate for the convertible note was amended to 50% discount to the lowest closing bid price in the fifteen days prior to the conversion. The maturity date was extended from November 17, 2012 to May 21, 2013 and the interest rate was amended to 12%. On May 24, 2012, the Company issued 11,428,571 shares of common stock upon the conversion of \$21,000 of the convertible note. On July 12, 2012, the Company issued 61,142,857 shares of common stock upon the conversion of a principal amount of \$21,000 and accrued interest of \$400.
- w) On May 23, 2012, the Company issued 33,333,333 shares of common stock upon the conversion of \$9,000 of the convertible note as described in Note 5(b).

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- x) On May 29, 2012, the Company secured a \$130,000 loan payable with two Convertible Promissory Notes for \$65,000 each. Pursuant to the convertible note agreements, the loans are convertible into shares of common stock at a variable conversion price equal to 50% of the average of the lowest three closing bid prices for the common stock during the 10 trading days prior to the date of the conversion notice. The loan bears interest at 10% per year and the principal amount and any interest thereon are due on November 29, 2014. On July 13, 2012, the Company issued 85,000,000 shares of common stock upon the conversion of a principal amount of \$19,125 of one of the \$65,000 convertible notes. On July 25, 2012, the Company issued 85,000,000 shares of common stock upon the conversion of a principal amount of \$19,125 of one of the \$65,000 convertible notes.
- y) On June 1, 2012, the Company entered into an advisory agreement for a term of six months. In consideration for such services, the Company agreed to issue 80,000,000 restricted shares of common stock of the Company, payable as follows: i) 30,000,000 shares upon execution of the agreement and; ii) 50,000,000 shares on or before September 15, 2012. On June 7, 2012, the Company issued 30,000,000 restricted shares of common stock.
- z) On June 1, 2012, the Company entered into a consulting agreement for a term of seven months. In consideration for such services, the Company issued 5,000,000 restricted shares of common stock of the Company on July 18, 2012.
- aa) On June 1, 2012, the Company entered into a chief technology officer agreement for a term of six months. In consideration for such services, the Company issued 5,000,000 restricted shares of common stock of the Company on June 15, 2012.
- bb) On June 12, 2012, the Company entered into a loan agreement (the "Loan Agreement") with Ocean Wise International Industrial Limited, a Hong Kong corporation ("Ocean Wise"), pursuant to which the Company received a loan of \$285,645 from Ocean Wise to be used for the Company's joint venture costs for Shenzhen Phase 1 and 2 licenses. The loan accrues interest at 12% per annum and matures on December 12, 2012. In the event of default, all principal and accrued interest will become immediately due and payable and the Company will be required to pay Ocean Wise an initial penalty equal to 40% of the Company's joint venture share in Reachout Holdings Limited ("Reachout"), which penalty will increase an additional 5% for every 5 days such default continues. Ocean Wise and the Company currently own 35% and 65%, respectively, in Reachout, a Hong Kong corporation.
- cc) On June 14, 2012, the Company issued 15,895,276 shares of common stock upon the conversion of principal amount of \$2,900 and accrued interest of \$1,710 of the convertible note as described in Note 5(b).
- dd) On June 15, 2012, the Company issued 1,388,889 restricted shares of common stock pursuant to the finder's fee agreement as described in Note 11(g).
- ee) On June 15, 2012, the Company entered into a medical director agreement for a term of six months. In consideration for such services, the Company agreed to issue 30,000,000 restricted shares of common stock, payable as follows: i) 15,000,000 shares upon execution of the agreement (issued on the same date); and ii) 15,000,000 shares on August 15, 2012.
- ff) On July 17, 2012, the Company entered into a business consulting services agreement with a consultant whereby the Company issued 70,000,000 restricted shares of common stock. The term of this agreement shall commence

on the date common stock share compensation is delivered to the consultant and shall continue for a period of 120 days thereafter.

- gg) On July 17, 2012, the Company accepted stock subscriptions for 42,857,142 shares at \$0.00035 per share for proceeds of \$15,000. On July 26, 2012, the Company issued the 42,857,142 shares. The Company also issued an option to purchase an additional 42,857,142 shares with an exercise price of \$0.00035 per share to the investor. The option expires on November 23, 2012.
- hh) On July 17, 2012, pursuant to a purchase and assignment agreement, the note holder of the Convertible Promissory Note described in Note 5(f) assigned principal amount of \$10,000 and accrued interest of \$420 to another investor. All the terms of the Convertible Promissory Note remain unchanged.
- ii) On July 17, 2012, pursuant to a purchase and assignment agreement, the note holder of the Convertible Promissory Note described in Note 5(g) assigned principal amount of \$5,000 and accrued interest of \$125 to another investor. All the terms of the Convertible Promissory Note remain unchanged.
- jj) On July 19, 2012, the Company entered into a Convertible Promissory Note agreement for \$29,500. Pursuant to the agreement, the loan is convertible into shares of common stock at a variable conversion price equal to 35% of the average of the lowest three trading prices for the common stock during the 90 trading days prior to the date of the conversion notice. The loan bears interest at 12% per year and the principal amount and any interest thereon are due on January 21, 2013.

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13. March 31, 2012 Restatement

The Company identified an error relating to the accounting of share-based compensation to a non-employee. On November 11, 2011, the Company entered into a consulting agreement, which awarded shares to a non-employee at the end of each month (an aggregate of 90,000,000 shares were granted under this agreement), but no compensation was recorded for the year ended December 31, 2011 and for the three months ended March 31, 2012.

The effect of the error is to increase net loss by \$49,000 for the year ended December 31, 2011 and by \$41,000 for the three months ended March 31, 2012. Net loss per share for the year ended December 31, 2011 and for the three months ended March 31, 2012 was unchanged.

The Company determined that the misstated amount of \$41,000 is material to the March 31, 2012 financial statements. As a result, the Company amended and restated the interim financial statements for the three months ended March 31, 2012.

The following tables reflect the impact of the restatement to the consolidated balance sheet and the consolidated statement of operations.

Consolidated Balance Sheet	March 31, 2012		
	As Previously Reported	Adjustment	As Restated
Stockholders' Deficit			
Common Stock	\$ 5,164	\$ 500	\$ 5,664
Additional Paid-in Capital	4,321,646	89,500	4,411,146
Deficit Accumulated During the Development Stage	(4,622,335)	(90,000)	(4,712,335)
Total Stockholder' Deficit	\$ (295,525)	\$ -	\$ (295,525)

Consolidated Statement of Operations	For the Three Months Ended March 31, 2012		
	As Previously Reported	Adjustment	As Restated
General and Administrative	\$ 52,691	\$ 41,000	\$ 93,691
Total Operating Expense	(78,207)	(41,000)	(119,207)
Loss before Discontinued Operations	(337,217)	(41,000)	(378,217)
Net Loss	(337,217)	(41,000)	(378,217)
Net Loss Attributable to Medical Care	\$ (330,771)	\$ (41,000)	\$ (371,771)
Net Loss Per Share – Basic and Diluted	\$ (0.00)		\$ (0.00)

Consolidated Statement of Operations	Period from February 27, 2007 (Inception) to March 31, 2012		
	As Previously Reported	Adjustment	As Restated
General and Administrative	\$ 1,803,484	\$ 90,000	\$ 1,893,484
Total Operating Expense	(3,567,365)	(90,000)	(3,657,365)

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Loss before Discontinued Operations	(4,552,132)	(90,000)	(4,642,132)
Net Loss	(4,639,442)	(90,000)	(4,729,442)
Net Loss Attributable to Medical Care	\$ (4,622,335)	\$ (90,000)	\$ (4,712,335)

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The restatement did not result in any changes to the amounts previously reported for net cash flows from operating activities, investing activities or financing activities.

December 31, 2011 Correction of an Error

The Company quantified and evaluated the error using both the balance sheet and income statement approach pursuant to Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108) and concluded that the misstated amount of \$49,000 is considered immaterial in the prior year when all relevant quantitative and qualitative factors are considered. Consequently, the December 31, 2011 financial statements included in this Form 10-Q are adjusted to correct the error. However, prior SEC filings, including the December 31, 2011 Form 10-K will not be amended or restated.

The following tables reflect the impact of the correction of the error to the consolidated balance sheet and consolidated statements of operations:

	December 31, 2011		
	As Previously Reported	Adjustment	As Restated
Consolidated Balance Sheet			
Stockholders' Deficit			
Common Stock	\$ 3,089	\$ 200	\$ 3,289
Additional Paid-in Capital	3,998,827	48,800	4,047,627
Deficit Accumulated During the Development Stage	(4,291,564)	(49,000)	(4,340,564)
Total Stockholder' Deficit	\$ (289,648)	\$ -	\$ (289,648)

	For the Year Ended December 31, 2011		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Operations			
General and Administrative	\$ 876,034	\$ 49,000	\$ 925,034
Total Operating Expense	(1,207,773)	(49,000)	(1,256,773)
Loss before Discontinued Operations	(1,934,548)	(49,000)	(1,983,548)
Net Loss	(1,934,548)	(49,000)	(1,983,548)
Net Loss Attributable to Medical Care	\$ (1,923,887)	\$ (49,000)	\$ (1,972,887)
Net Loss Per Share – Basic and Diluted	\$ (0.01)		\$ (0.01)

	Period from February 27, 2007 (Inception) to December 31, 2011		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Operations			
General and Administrative	\$ 1,750,796	\$ 49,000	\$ 1,799,793
Total Operating Expense	(3,489,158)	(49,000)	(3,538,158)
Loss before Discontinued Operations	(4,214,915)	(49,000)	(4,263,915)
Net Loss	(4,302,225)	(49,000)	(4,351,225)
Net Loss Attributable to Medical Care	\$ (4,291,564)	\$ (49,000)	\$ (4,340,564)

The correction of the error did not result in any changes to the amounts previously reported for net cash flows from operating activities, investing activities or financing activities.

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Item 6. Exhibits.

Exhibit	Document
31.1	Certification of Principal Executive Officer pursuant to 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

MEDICAL CARE TECHNOLOGIES INC.

Dated: July 30, 2012

By: /s/ Ning C. Wu
Ning C. Wu
President (principal executive officer)

By: /s/ Hui Liu
Hui Liu
Treasurer (principal financial and accounting officer)