

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

or

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

For the transition period from _____ to _____

Commission file number 000-53298

MYOS RENS TECHNOLOGY INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

90-0772394

(I.R.S. Employer
Identification No.)

45 Horsehill Road, Suite 106
Cedar Knolls, New Jersey 07927

(Address of principal executive offices, including zip code)

(973) 509-0444

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant (1) 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 during the preceding 12 months (or for such shorter period that the registrant was required 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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 November 9, 2017, the registrant had 6,344,372 shares of common stock outstanding.

MYOS RENS TECHNOLOGY INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)**

	September 30, 2017	December 31, 2016
	<u>(Unaudited)</u>	<u></u>
ASSETS		
Current assets:		
Cash	\$ 468	\$ 1,866
Accounts receivable, net	56	8
Inventories, net	1,821	1,862
Prepaid expenses and other current assets	500	85
Total current assets	<u>2,845</u>	<u>3,821</u>
Deferred offering costs	125	-
Fixed assets, net	194	233
Intangible assets, net	1,711	1,907
Total assets	<u>\$ 4,875</u>	<u>\$ 5,961</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 107	\$ 226
Accrued expenses and other current liabilities	368	361
Deferred revenue	10	56
Total current liabilities	<u>485</u>	<u>643</u>
Total liabilities	<u>485</u>	<u>643</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 500,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$.001 par value; 12,000,000 shares authorized at September 30, 2017 and December 31, 2016; 5,844,372 and 5,344,372 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	6	5
Additional paid-in capital	35,146	33,099
Accumulated deficit	(30,762)	(27,786)
Total stockholders' equity	<u>4,390</u>	<u>5,318</u>
Total liabilities and stockholders' equity	<u>\$ 4,875</u>	<u>\$ 5,961</u>

See accompanying notes to condensed consolidated financial statements

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$ 160	\$ 39	\$ 369	\$ 300
Cost of sales	65	30	244	292
Gross profit	<u>95</u>	<u>9</u>	<u>125</u>	<u>8</u>
Operating expenses				
Selling, marketing and advertising	90	97	557	778
Research & development	1	4	42	16
Personnel and benefits	269	281	932	1,071
Share-based compensation	39	38	121	264
General and administrative	382	391	1,206	1,233
Amortization of acquired intangibles	71	53	196	157
Bad debt	-	-	59	-
Loss on asset impairment	-	-	-	44
Total operating expenses	<u>852</u>	<u>864</u>	<u>3,113</u>	<u>3,563</u>
Operating loss	<u>(757)</u>	<u>(855)</u>	<u>(2,988)</u>	<u>(3,555)</u>
Other income (expense)				
Other income	5	-	13	-
Interest (expense)	(1)	(11)	(1)	(34)
Total other income (expense, net)	<u>4</u>	<u>(11)</u>	<u>12</u>	<u>(34)</u>
Net loss	<u>\$ (753)</u>	<u>\$ (866)</u>	<u>\$ (2,976)</u>	<u>\$ (3,589)</u>
Net loss per share attributable to common shareholders:				
Basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.17)</u>	<u>\$ (0.52)</u>	<u>\$ (0.76)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>5,844</u>	<u>5,064</u>	<u>5,773</u>	<u>4,708</u>

See accompanying notes to condensed consolidated financial statements

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash Flows From Operating Activities:		
Net loss	\$ (2,976)	\$ (3,589)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	39	41
Amortization	196	157
Provision for inventory reserve	(2)	94
Accretion of contract liability	-	8
Share-based compensation	121	264
Bad debt	(59)	-
Impairment charge	-	44
Changes in operating assets and liabilities:		
Decrease in accounts receivable	11	405
Decrease (increase) in inventories	43	(480)
(Increase) decrease in prepaid expenses and other current assets	(415)	461
Decrease in deferred revenue	(46)	-
Decrease in accounts payable and accrued expenses	(112)	(436)
Net cash used in operating activities	(3,200)	(3,031)
Cash Flows From Financing Activities:		
Repayment of term note	-	(100)
Deferred offering costs	(125)	(109)
Proceeds from registered direct offering of common stock, net of offering costs	1,927	5,250
Net cash provided by financing activities	1,802	5,041
Net (decrease) increase in cash	(1,398)	2,010
Cash at beginning of period	1,866	879
Cash at end of period	\$ 468	\$ 2,889
Supplemental Schedule of Cash Flow Information:		
Cash paid during the period for:		
Interest	-	2

See accompanying notes to condensed consolidated financial statements

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2017

(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

NOTE 1 – NATURE OF OPERATIONS, BASIS OF PRESENTATION AND LIQUIDITY

Basis of Presentation

The accompanying condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited consolidated financial statements and the unaudited interim condensed consolidated financial statements, have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and disclosures required by U.S. GAAP in order to have complete consolidated financial statements have been condensed or omitted herein. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 31, 2017. The unaudited interim condensed consolidated financial statements presented herein reflect all normal adjustments that are, in the opinion of management, necessary for a fair presentation of the statement of the financial position, results of operations and cash flows for the periods presented. The Company is responsible for the unaudited interim condensed consolidated financial statements included in this report. The results of any interim period are not necessarily indicative of the results for the full year.

Nature of Operations

MYOS RENS Technology Inc. is an emerging bio-nutrition and bio-therapeutics company focused on the discovery, development and commercialization of products that improve muscle health and function. The Company was incorporated under the laws of the State of Nevada on April 11, 2007. On March 17, 2016, the Company merged with its wholly-owned subsidiary and changed its name from MYOS Corporation to MYOS RENS Technology Inc. As used in these financial statements, the terms “the Company”, “MYOS”, “our”, or “we”, refers to MYOS RENS Technology Inc. and its subsidiary, unless the context indicates otherwise. The Company’s activities are subject to significant risks and uncertainties.

On February 25, 2011, the Company entered into an agreement to acquire the intellectual property for Fortetropin[®], our proprietary active ingredient, from Peak Wellness, Inc. Our commercial focus is to leverage our clinical data to develop multiple products to target the large and currently underserved markets focused on muscle health.

In February 2014 we expanded our commercial operations into the age management market under a distribution agreement with Cenegenics Product and Lab Services, LLC (“Cenegenics”), where Cenegenics distributes and promotes a proprietary formulation containing Fortetropin through its age management centers and its community of physicians focused on treating a growing population of patients focused on proactively addressing age-related health and wellness concerns. The distribution agreement with Cenegenics expired in December 2016. In May 2017, we received a purchase order from Cenegenics to deliver more product to them in 2017.

During the second quarter of 2015 we launched Rē Muscle Health[™], our own direct-to-consumer portfolio of muscle health bars, meal replacement shakes and daily nutrition powders each powered by a full 6.6 gram single serving dose of Fortetropin. In March 2017, the Company stopped selling these products.

In March 2017, the Company launched Qurr[®], a line of flavored puddings, powders and shakes all shown to be safe for daily use. This Fortetropin[®]-powered product line is formulated to support the vital role of muscle in overall well-being as well as in fitness. Qurr’s muscle-focused, over-the-counter products are available through convenient direct online ordering. All Qurr[®] products are blended with Fortetropin[®], MYOS’ proprietary ingredient, which has been clinically demonstrated to reduce serum myostatin levels, which helps increase muscle size and lean body mass. MYOS’ earlier product formulations featuring Fortetropin[®] have become part of the daily routine of many athletes and fit-conscious people.

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
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September 30, 2017

(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

We continue to pursue additional distribution and branded sales opportunities. We expect to continue developing our own core branded products in markets such as functional foods, sports and fitness nutrition and rehab and restorative health and to pursue international sales opportunities. There can be no assurance that we will be able to secure distribution arrangements on terms acceptable to the Company or that we will be able to generate significant sales of our current and future branded products.

Strategic Investment Transaction

On December 17, 2015, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with RENS Technology Inc. (the "Purchaser"), pursuant to which the Purchaser agreed to invest \$20.25 million in the Company (the "Financing") in exchange for (i) an aggregate of 3,537,037 shares (the "Shares") of the Company's common stock, par value \$0.001 per share ("Common Stock"), and (ii) warrants to purchase an aggregate of 884,259 shares of Common Stock (the "Warrants", and together with the Shares, the "Securities"). As set forth in the Purchase Agreement the Purchaser would purchase the Securities in three tranches over twenty-four months. In the first tranche, which closed on March 3, 2016, the Purchaser acquired 1,500,000 Shares and 375,000 Warrants (the "Initial Warrant") for \$5.25 million. In the second tranche, which was to close within six months of the closing of the first tranche, the Purchaser would acquire 925,926 Shares and 231,481 Warrants (the "Second Warrant") for \$5.0 million. In the third tranche, which was to close within eighteen months of the closing of the second tranche, the Purchaser would acquire 1,111,111 Shares and 277,778 Warrants (the "Third Warrant") for \$10.0 million. Each of the Warrants would be immediately exercisable upon issuance, would expire five years after issuance and would have the following exercise prices: (a) \$7.00 per share for the Initial Warrant, (b) \$10.80 per share for the Second Warrant and (c) \$18.00 per share for the Third Warrant. In addition, the Company agreed: (i) that the Purchaser will have the right to appoint four persons to the Company's board of directors, subject to adjustment based on the Purchaser's ownership percentage of the Company (ii) to provide the Purchaser with a right to participate in 50% (or 100% if shares are to be issued for less than \$3.50 per share) of any future financings pursued by the Company within 12 months from the closing of the third tranche of the Financing and (iii) until the closing of the third tranche, the Company will not take certain actions, including issuing shares (except for certain permitted issuances) or appointing new officers and directors, without the Purchaser's consent.

In addition, on December 17, 2015, the Company issued a Convertible Note in the amount of \$575 to Gan Ren, a related party of RENS Agriculture, the parent of RENS Technology, Inc., and the son of Ren Ren, one of our directors. The Convertible Note provided short-term funding to the Company prior to the closing of the first tranche of the Financing. On December 17, 2016 the Convertible Note and accrued interest was converted into 225,860 shares at \$2.74 per share. For additional information on the Convertible Note with Gan Ren refer to "NOTE 6 – Debt – Convertible Note."

The first tranche of the Financing was completed on March 3, 2016. The Company used the net proceeds from the first tranche of the Financing to fund its working capital, product development and marketing, research and development and other general corporate purposes. On August 19, 2016, the Purchaser notified the Company that it did not intend to fulfill its remaining obligation to fund the second tranche of the Financing notwithstanding its confirmation to the Company in June 2016 that it would provide such funding in accordance with the terms of the Purchase Agreement. The Purchase Agreement provides that in the event that the Purchaser notifies the Company that it does not intend to fund the Second Closing Subscription Amount, the Purchaser is required to take all requisite action to cause the resignation or removal of one of its designees on the Board of Directors of the Company. Pursuant to the terms of the Purchase Agreement, effective August 23, 2016, Guiying Zhao resigned as a director of the Company. In addition, the Purchaser's Rights terminated, effective August 19, 2016.

On January 6, 2017, the Company commenced an action in the Supreme Court of New York, County of New York, (the "Court") against the Purchaser, RENS Agriculture Science & Technology Co., Ltd ("RENS Agriculture"), the parent company of the Purchaser, and Ren Ren, a principal in both entities and a director of the Company, arising from the Purchaser's breach of the Securities Purchase Agreement.

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
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(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

In addition to seeking compensatory, consequential and other damages in the action, the Company asked the Court to preliminarily restrain RENS Technology, Inc. and its agents and representatives, including, but not limited to, RENS Agriculture and Ren Ren, from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares of common stock of the Company and warrants permitting the purchase of 375,000 shares at a price of \$7.00 per share that RENS Technology had purchased under the Securities Purchase Agreement and, after the parties had an opportunity to submit opposition and reply papers in connection with the Company's application, a preliminary injunction prohibiting RENS Technology from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares and warrant during the pendency of the action and an order attaching the stock and warrant to satisfy any judgment entered in favor of the Company.

On January 11, 2017, the Court granted the Company the preliminary restraints that it had requested, which prevents RENS Technology, among others, from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares of the Company's common stock or the aforementioned warrant. The Court scheduled a hearing on February 14, 2017, at which time the Court heard oral argument on the application for a preliminary injunction and prejudgment attachment of the stock and warrants to satisfy any judgment entered in favor of the Company. As a result, RENS Technology filed a motion to dismiss the complaint to which the Company filed opposition papers.

On April 11, 2017, the Court denied the Company's application for a prejudgment attachment of the Purchaser's acquired shares and warrant and a preliminary injunction in aid of the attachment to prevent a sale, transfer, or hypothecation of such securities, and vacating the preliminary restraints which it had previously entered. However, the Court noted that the Company's had demonstrated a likelihood of success on the merits of the breach of contract claim. An application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties was scheduled for oral argument, but we thereafter amended the complaint in August 2017. The amended complaint repeated most of the initial claims but added a number of additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. The Company is seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against the Company and Joseph Mannello, the Company's then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and was grossly negligent in managing our Company. The action seeks monetary damages and injunctive relief from Mr. Mannello as well as the appointment of a receiver over the Company. Subsequently, the Purchaser submitted a petition to appoint a receiver and the Company and Mr. Mannello submitted a motion to dismiss the action, both of which are currently pending and are due to be heard in December 2017.

Going Concern and Liquidity

The accompanying financial statements have been prepared in accordance with U.S. GAAP, which contemplates the continuation of the Company as a going concern. As of September 30, 2017 the Company had cash of \$468 and working capital of \$2,360 (current assets of \$2,845 less current liabilities of \$485). Subsequent to the end of the quarter, on October 26, 2017 the Company raised \$1,070 from the sale of 500,000 shares of common stock at \$2.144 per share. (See Note 14).

The Company continues to incur recurring losses from operations and had a net loss of \$4,341 for the year ended December 31, 2016. For the three months ended September 30, 2017 and 2016 the Company incurred a net loss of \$753 and \$866, respectively. For the nine months ended September 30, 2017 and 2016, the Company incurred a net loss of \$2,976 and \$3,589, respectively. For the nine months ended September 30, 2017 and 2016, net cash used in operating activities was \$3,200 and \$3,031, respectively.

As of the filing date of this Form 10-Q, management believes that there may not be sufficient capital resources from operations and existing financing arrangements in order to meet operating expenses and working capital requirements for the next twelve months primarily due to the failure of RENS Technology Inc. to fund the required amounts. (See Note 13 – Legal Proceedings) This raises substantial doubt about the Company's ability to continue as a going concern. Accordingly, the Company is evaluating various alternatives, including reducing operating expenses, securing additional financing through debt or equity securities to fund future business activities and other strategic alternatives. There can be no assurance that the Company will be able to generate the level of operating revenues projected in its business plan, or if additional sources of financing will be available on acceptable terms, if at all. If no additional sources of financing become available, the Company's future operating prospects may be adversely affected. The financial statements do not reflect any adjustments that may result as a result of these uncertainties.

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(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

At-the-Market Offering

On February 21, 2017, the Company entered into a sales agreement with H.C. Wainwright & Co., LLC which established an at-the-market equity program pursuant to which the Company may offer and sell up to \$6.0 million of its shares of common stock from time to time through H.C. Wainwright. The Company incurred \$125 of deferred offering costs in connection with this program which it has recorded as a long term other asset on the accompanying balance sheet. As of September 30, 2017 there were no shares sold under this program. Subsequent to the end of the quarter, on October 26, 2017 the Company raised \$1,070 through the sale of 500,000 shares of common stock at \$2.144 per share under the program. (See Note 14)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MYOS RENS Technology Inc. and its wholly-owned subsidiary, Atlas Acquisition Corp. All material intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications did not have a material impact on the reported results of operations.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and the disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from these estimates. Significant items subject to such estimates include but are not limited to the valuation of stock-based awards, measurement of allowances for doubtful accounts and inventory reserves, the selection of asset useful lives, fair value estimations used to test long-lived assets, including intangibles, impairments and provisions necessary for assets and liabilities.

The Company has recorded minimal sales to its distributors during the past twelve consecutive quarters, and has only recently launched its Qurr[®] portfolio of branded products. Management's estimates, including evaluation of impairment of long-lived assets and inventory reserves are based in part on forecasted future results. A variety of factors could cause actual results to differ from forecasted results and these differences could have a significant effect on the asset carrying amounts.

Cash

The Company considers all highly liquid investments purchased with a maturity of three months or less and money market accounts to be cash equivalents. At September 30, 2017 and December 31, 2016, the Company had no cash equivalents.

The Company maintains its bank accounts with high credit quality financial institutions and has never experienced any losses related to these bank accounts. The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its financial institutions. The balance at times may exceed federally insured limits.

As part of our ongoing liquidity assessments, management evaluates our cash. The amount of funds held in the Company's bank accounts can fluctuate due to the timing of receipts, payments in the ordinary course of business and other reasons, such as business-development activities so the Company may have exposure to cash in excess of FDIC insured limits.

Accounts Receivable, net

Accounts receivable consist primarily of trade amounts due from customers and from un-cleared credit card transactions. It also includes holdback amounts from credit card companies. Accounts receivable are recorded at invoiced amounts and do not bear interest.

MYOS RENS TECHNOLOGY INC. AND SUBSIDIARY
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(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

Inventories, net

Inventories are valued at the lower of cost or market, with cost determined on a first in, first-out basis. Each quarter the Company evaluates the need for a change in the inventory reserve based on sales and expiration dates of products. Inventories are valued at the lower of cost or market, with cost determined on a first-in, first-out basis. Our policy is to recognize an inventory reserve as a loss in earnings in the period in which evidence exists that the market value of inventory is less than its cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Inventory "market value" is initially deemed to be current replacement cost, but it cannot be more than the net realizable value, and it cannot be less than the net realizable value, less an approximate normal profit margin. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete and sell finished goods, including direct selling costs such as transportation and sales commissions.

Deferred Offering Costs

The Company defers as other assets the direct incremental costs of raising capital until such time as the offering is completed. Once the offering is completed, the costs are charged against the capital raised. Should the offering not be completed, deferred offering costs will be charged to operations during the period in accordance with SEC guidance. Deferred offering costs as of September 30, 2017 were \$125 relating to legal and accounting fees for the at-the-market transaction. These costs will be charged against the proceeds of future transactions under this program.

Fixed Assets

Fixed assets are stated at cost and are depreciated to their estimated residual value over their estimated useful lives of 3 to 7 years. Leasehold improvements are amortized over the lesser of the asset's useful life or the contractual remaining lease term including expected renewals. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reversed from the accounts and the resulting gains or losses are included in the Consolidated Statements of Operations. Depreciation is expensed using the straight-line method for all fixed assets.

The Company reviews fixed assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company uses an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets are recoverable. If the assets are determined to be unrecoverable, an impairment loss is calculated by determining the difference between the carrying values and the estimated fair value. The Company did not consider any of its fixed assets to be impaired during the nine months ended September 30, 2017 and 2016.

Intangible Assets

The Company's intangible assets consist primarily of intellectual property pertaining to Fortetropin, including its formula, trademarks, trade secrets, patent application and domain names, which were determined to have a fair value of \$2,000 as of December 31, 2011. Based on expansion into new markets and introduction of new formulas, management determined that the intellectual property had a finite useful life of ten (10) years and began amortizing the asset over its estimated useful life beginning April 2014.

In July 2014, the Company acquired the United States patent application for the manufacture of Fortetropin from Deutsches Institut für Lebensmitteltechnik e.V. - the German Institute for Food Technologies ("DIL"). The cost of the patent application, which was capitalized as an intangible asset, was determined to be \$101, based on the present value of the minimum guaranteed royalty payable to DIL using a discount rate of 10%. The intangible asset is being amortized over an estimated useful life of ten (10) years. The remaining contingent royalty payments will be recorded as the contingency has been resolved and the royalty becomes payable under the arrangement. For additional information on the amended supply agreement with DIL refer to "NOTE 11 – Commitments and Contingencies - Supply Agreement."

Intangible assets also include patent costs associated with the application and issuance of patents. Costs to defend patents and costs to invalidate a competitor's patent or patent application are expensed as incurred. Upon issuance of the patents, capitalized patent costs are reclassified from intangibles with indefinite lives to intangibles with finite lives and amortized on a straight-line basis over the shorter of the estimated economic life or the initial term of the patent, generally 20 years.

During the year ended December 31, 2016, the Company recorded an impairment of \$44. The impairment was related to the write-off of capitalized patent costs due to the unlikelihood of certain patents being issued.

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(Unaudited; amounts in thousands, except share and per share amounts, unless otherwise indicated)

In March 2017, the Company launched a new product line on its e-commerce website www.qurr.com. The Company capitalized costs of \$380 to be amortized over 5 years starting with the launch of the website in March 2017 at \$19 per quarter.

Intangible assets at September 30, 2017 and December 31, 2016 consisted of the following:

<i>(In thousand \$)</i>	September 30, 2017	December 31, 2016
Intangibles with finite lives:		
Intellectual property	\$ 2,101	\$ 2,101
Website - qurr.com	380	380
Less: accumulated amortization	(770)	(574)
Total intangible assets, net	<u>\$ 1,711</u>	<u>\$ 1,907</u>

Assuming no additions, disposals or adjustments are made to the carrying values and/or useful lives of the intangible assets, annual amortization expense is estimated to be as follows:

Years Ended December 31,	<i>(In thousand \$)</i> Amount
2017 (remaining three months)	\$ 72
2018	286
2019	286
2020	286
2021	286
2022	286
2023	203
Total	<u>\$ 1,711</u>

Impairment testing of intangible assets subject to amortization involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value would be considered not recoverable and an impairment charge would be recorded. An impairment is measured as the excess of the asset's carrying value over its fair value and is calculated using discounted future cash flows. The computed impairment is recognized in the period that it occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset. Impairment testing requires the development of estimates and assumptions involving the determination of estimated net cash flows, selection of the appropriate discount rate to measure the risk inherent in future cash flow streams, assessment of an asset's life cycle, competitive trends impacting the asset, as well as other factors. Changes in these underlying assumptions could significantly impact the asset's estimated fair value.

Based on twelve consecutive quarters of minimal revenues combined with changes in the sales channels through which the Company sells its products and an inability to predict future orders, if any, the Company tested the intellectual property for impairment in the fourth quarter of 2016 and determined that the asset value was recoverable and therefore no impairment was recognized. The Company's management tests intangible assets for impairment annually or when events or circumstances occur that may indicate importance. The Company made an assessment that there were no impairments of intangible assets as of December 31, 2016. There have been no subsequent events that have occurred to indicate any impairment as of September 30, 2017.

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Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers which amended FASB Accounting Standards Codification® (“ASC”) by creating Topic 606. The FASB also issued the following amendments to ASU No. 2014-09 to provide clarification on the guidance:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent (Reporting Revenue Gross vs Net)
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients

The adoption of Topic 606 is required for public entities for reporting periods beginning after December 15, 2017. The Company has evaluated the effects of ASU 2014-09 on the financial statements and believes the effects will be insignificant.

Currently, the Company records revenue from product sales when persuasive evidence of an arrangement exists, product has been shipped or delivered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Product sales represent revenue from the sale of products and related shipping amounts billed to customers, net of promotional discounts, rebates, and return allowances. Depending on individual customer agreements, sales are recognized either upon shipment of product to customers or upon delivery. With respect to direct-to-consumer sales, both title and risk of loss transfer to customers upon our delivery to the customer. The Company’s gross product sales may be subject to sales allowances and deductions in arriving at reported net product sales. For example, the Company may periodically offer discounts and sales incentives to customers to encourage purchases. Sales incentives are treated as a reduction to the purchase price of the related transaction. Reductions from gross sales for customer discounts and rebates have been minimal, and sales allowances for product returns have not been provided since under our existing arrangements customers are not permitted to return product except for non-conforming product.

Deferred Revenue

The Company recognizes revenue from bulk product sales when product is shipped to customers or upon delivery. Deposits received with a purchase order are recorded as deferred revenue on the balance sheet. Deferred revenue of \$10 as of September 30, 2017 represents revenue in connection with a purchase order received in April 2017 for which we received \$20 down payment for product to be shipped and paid for later in the year. We shipped 50% of the product during the three months ended September 30, 2017 and therefore recognized \$10 of deferred revenue as revenue for the period. The deferred revenue from December 31, 2016 represents a purchase order received in October 2016 along with \$56 down payment. The order was shipped in January 2017.

Advertising

The Company charges the costs of advertising to selling and marketing as incurred. Advertising and promotional costs were \$83 and \$64 for the three months ended September 30, 2017 and 2016, respectively, and \$395 and \$433 for the nine months ended September 30, 2017 and 2016, respectively.

Research and Development

Research and development expenses consist primarily of salaries, benefits, and other related costs, including stock-based compensation, for personnel serving in our research and development functions, and other internal operating expenses, the cost of manufacturing our product for clinical study, the cost of conducting those studies and the cost of conducting preclinical and research activities. Nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities are initially capitalized and are then recognized as an expense as the related goods are consumed or the services are performed. Research and development expenses were \$1 and \$4 for the three months ended September 30, 2017 and 2016, respectively, and \$42 and \$16 for the nine months ended September 30, 2017 and 2016, respectively.

Shipping and Handling Costs

The Company records expenses for shipping and handling of products to our customers as cost of sales. These expenses were \$9 and \$4 for the three months ended September 30, 2017 and 2016, respectively, and \$28 and \$18 for the nine months ended September 30, 2017 and 2016, respectively.

Stock-based Compensation

Stock-based payments are measured at their estimated fair value on the date of grant. Stock-based awards to non-employees are re-measured at fair value each financial reporting date until performance is completed. Stock-based compensation expense recognized during a period is based on the estimated number of awards that are ultimately expected to vest. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period. The Company uses the Black-Scholes option-pricing model to estimate the fair value of options and the market price of our common stock on the date of grant for the fair value of restricted stock issued. Our determination of fair value of stock-based awards is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and certain other market variables such as the risk-free interest rate.

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Segment Information

ASC 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments and requires selected information for those segments to be presented in the financial statements. It also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Management has determined that the Company operates in one segment.

Concentrations of Credit Risk

Management regularly reviews accounts receivables, and if necessary, establishes an allowance for doubtful accounts that reflects management's best estimate of amounts that may not be collectible based on historical collection experience and specific customer information. Bad debt expense recognized as a result of an allowance for doubtful accounts is included in operating expenses in the condensed consolidated statements of operations. If we are unable to collect our outstanding accounts receivable from our distributors, or they are unable or unwilling to purchase our products, our operating results and financial condition will be adversely affected.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby observable and unobservable inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchy levels of inputs to measure fair value:

- Level 1:* Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:* Inputs that utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active.
- Level 3:* Inputs that utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity.

A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement. At September 30, 2017 and December 31, 2016 the Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued expense. Due to their short-term nature, the carrying amounts of the Company's financial instruments approximated their fair values.

Basic and Diluted Loss Per Share

Basic net loss per share is computed by dividing net loss available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss for the period by the weighted average number of common shares outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if potential dilutive securities outstanding had been issued. The Company uses the "treasury stock" method to determine the dilutive effect of common stock equivalents such as options, warrants and restricted stock. For the three and nine months ended September 30, 2017 and 2016, the Company incurred a net loss. Accordingly, the potential dilutive securities were excluded from the calculation of diluted loss per share of common stock because their inclusion would have been antidilutive. As a result, diluted loss per common share is the same as basic loss per common share for all periods presented.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Accounting for Income Taxes* ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is unlikely to be recognized. The Company follows ASC 740 rules governing uncertain tax positions, which provides guidance for recognition and measurement. This prescribes a threshold condition that a tax position must meet for any of the benefits of the uncertain tax position to be recognized in the financial statements. It also provides accounting guidance on recognition, classification and disclosure of these uncertain tax positions. The Company has no uncertain income tax positions.

Interest costs and penalties related to income taxes are classified as interest expense and operating expenses, respectively, in the Company's financial statements. For the three and nine months ended September 30, 2017 and 2016, the Company did not recognize any interest or penalty expense related to income taxes. The Company files income tax returns in the U.S. federal jurisdiction and states in which it does business.

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NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In September 2017, FASB issued ASU No. 2017-13, Revenue from Contracts with Customers which amended FASB ASC by creating Topic 606, Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09 which supersedes nearly all existing revenue recognition guidance under U.S. GAAP and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

The FASB also issued the following amendments to ASU No. 2014-09 to provide clarification on the guidance:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent (Reporting Revenue Gross vs Net)
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients

The adoption of Topic 606 is required for public entities for reporting periods beginning after December 15, 2017. This accounting guidance is effective for us beginning January 1, 2018 using one of two prescribed transition methods. We have evaluated the effect that the updated standard will have on our consolidated financial statements looking at our revenue for 2016 & 2017 and related disclosure and the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

The Company will adopt the provisions of this ASU for its fiscal year beginning January 1, 2018

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This update is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-09 is not expected to have a significant impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill, which accomplishes exactly what its title indicates by eliminating the second step in the current goodwill impairment calculation. Currently there is a two-step process for determining the amount of any goodwill impairment. In Step 1 an entity determines if the carrying value of the reporting unit (for which goodwill has been recorded) exceeds the fair value of the reporting unit. If the calculation in Step 1 indicates that the carrying value of a reporting unit for which goodwill has been recorded exceeds the fair value, the entity would have to determine the implied fair value of the reporting unit's goodwill. An impairment would be recorded to the extent that the goodwill carrying value exceeded the implied fair value of goodwill at the reporting date. The amount of any goodwill impairment must take into consideration the effects of income taxes for any tax deductible goodwill. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2019. The ASU is to be applied prospectively. Early adoption is permitted. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-04 is not expected to have a significant impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)." The amendments in this Update relate to eight specific types of cash receipts and cash payments which current U.S. GAAP either is unclear or does not include specific guidance on the cash flow classification issues. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company will adopt the provisions of this ASU for its fiscal year beginning January 1, 2018. The adoption of ASU 2016-15 did not have a significant impact on its consolidated financial statements.

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In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606), Narrow Scope Improvements and Practical Expedients." The amendments in ASU 2016-12 affect only the narrow aspects of Topic 606 that are outlined in ASU 2016-12 and are effective for annual reporting periods beginning after December 31, 2017, including interim reporting periods within that reporting period. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2016-12 is not expected to have a significant impact on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10 "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." The amendments in this update affect entities with transactions included within the scope of Topic 606. The scope of that Topic includes entities that enter into contracts with customers to transfer goods or services (that are an output of the entity's ordinary activities) in exchange for consideration. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2017. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2016-10 is not expected to have a significant impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting which provides guidance designed to simplify several aspects of the accounting for share-based payment transactions, including guidance relating to accounting for income taxes with respect to share-based payment awards; providing generally that excess tax benefits related to share-based awards should be recorded as a reduction to income tax expense (currently, excess tax benefits generally are recorded to additional-paid-in-capital); providing generally that excess tax benefits related to share-based awards should be classified along with other income tax cash flows as an operating activity (currently, excess tax benefits generally are separated from other income tax cash flows and classified as a financing activity); providing that an entity may make an accounting policy election either to base compensation cost accruals on the number of awards expected to vest (as required by current guidance) or to account for forfeitures when they occur; modifying the current exception to liability classification such that partial cash settlement of an award for tax withholding purposes would not result, by itself, in liability classification of the award if the amount withheld does not exceed the maximum statutory tax rate in the employees' applicable jurisdictions (currently, an award cannot qualify for equity classification, rather than liability classification, if the amount withheld exceeds the minimum statutory withholding requirements); and providing that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity on the statement of cash flows (currently there is no authoritative guidance addressing this classification issue). The guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Application of the guidance was made prospectively. The adoption of ASU 2016-09 did not have a significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning January 1, 2019, with early application permitted. We have evaluated the adoption of ASU 2016-02 and determined that the standard would not have a significant impact on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes which requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented and was effective for periods beginning after December 15, 2016. The adoption of ASU 2015-17 did not have a significant impact on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"), which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis by us beginning January 1, 2017, with early adoption permitted. The adoption of ASU 2015-17 did not have a significant impact on the consolidated financial statements.

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In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires all debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the associated debt. Prior to the issuance of this standard, debt issuance costs, which are specific incremental costs, other than those paid to the lender, that are directly attributable to issuing a debt instrument (i.e., third party costs), were required to be presented in the balance sheet as a deferred charge (i.e., an asset). Under ASU 2015-03, the presentation of debt issuance costs is consistent with the presentation for a debt discount, (i.e., a direct adjustment to the carrying value of the debt). ASU 2015-03 does not affect the recognition and measurement of debt issuance costs. Accordingly, the amortization of such costs should continue to be calculated using the interest method and be reported as interest expense. ASU 2015-03 was effective for us beginning January 1, 2016. The adoption of ASU 2015-03 did not have an impact on the consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). The amendments in this update define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and provides related footnote disclosure requirements. Under U.S. GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting. The going concern basis of accounting establishes the fundamental basis for measuring and classifying assets and liabilities. This update provides guidance on when there is substantial doubt about an organization’s ability to continue as a going concern and how the underlying conditions and events should be disclosed in the footnotes. It is intended to reduce diversity that existed in footnote disclosures because of the lack of guidance about when substantial doubt existed. The amendments in this update was effective for us beginning December 31, 2016. The impact of the updated guidance has been disclosed in the footnotes on its consolidated financial statements.

NOTE 4 – INVENTORIES, NET

Inventories, net at September 30, 2017 and December 31, 2016 consisted of the following:

<i>(In thousand \$)</i>	September 30, 2017	December 31, 2016
Raw materials	\$ 2,231	\$ 2,378
Work in process	46	5
Finished goods	<u>251</u>	<u>188</u>
	2,528	2,571
Less: inventory reserves	<u>(707)</u>	<u>(709)</u>
Inventories, net	<u>\$ 1,821</u>	<u>\$ 1,862</u>

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NOTE 5 – FIXED ASSETS

Fixed assets at September 30, 2017 and December 31, 2016 consisted of the following:

<i>(In thousand \$)</i>	September 30, 2017	December 31, 2016
Furniture, fixtures and equipment	\$ 116	\$ 116
Computers and software	66	66
Leasehold improvements	239	239
Other	7	7
Total fixed assets	428	428
Less: accumulated depreciation	(234)	(195)
Net book value of fixed assets	<u>\$ 194</u>	<u>\$ 233</u>

Depreciation expense was \$13 and \$14 for the three months ended September 30, 2017 and 2016, respectively, and \$39 and \$41 for the nine months ended September 30, 2017 and 2016, respectively. Repairs and maintenance costs are expensed as incurred.

NOTE 6 – DEBT

Convertible Note

On December 17, 2015, concurrent with the execution of the Purchase Agreement with RENS Technology Inc., the Company issued an unsecured promissory note in the principal amount of \$575 (the “Note”) to Gan Ren, a related party of RENS Agriculture, and the son of Ren Ren, one of our directors. The Note accrued interest at a rate of 8% per annum and matured on December 17, 2016. On December 17, 2016, the Note and accrued interest of \$46 were automatically converted into 225,864 shares of common stock at \$2.75 per share.

Term Note

On September 10, 2015, the Company converted its outstanding revolving note with City National Bank, which had a termination date of August 31, 2015, into a term note (the “Term Note”). The Term Note provided that the then outstanding balance of \$400 shall be payable along with interest thereon on the last day of each month in four consecutive installments of \$100. At December 31, 2015, the balance under the Term Note was \$100, which was subsequently paid in full January 7, 2016.

NOTE 7 – PREPAID EXPENSES, ACCRUED EXPENSES, OTHER CURRENT ASSETS AND LIABILITIES

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of various payments that the Company has made in advance for goods or services to be received in the future. Prepaid expenses and other current assets at September 30, 2017 and December 31, 2016 consisted of the following:

<i>(In thousand \$)</i>	September 30, 2017	December 31, 2016
Prepaid insurance	\$ 125	\$ 27
Prepaid inventory purchases	158	1
Prepaid consulting & other	217	57
Total prepaid expenses and other current assets	<u>\$ 500</u>	<u>\$ 85</u>

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Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of estimated future payments that relate to the current and prior accounting periods. Management reviews these estimates regularly to determine their reasonableness. Accrued expenses and other current liabilities at September 30, 2017 and December 31, 2016 consisted of the following:

<i>(In thousand \$)</i>	September 30, 2017	December 31, 2016
Advertising and promotional expenses	\$ 171	\$ 171
Insurance financing	93	-
Professional fees	61	88
Payroll related expenses	24	62
Deferred rent	19	40
Total accrued expenses and other current liabilities	<u>\$ 368</u>	<u>\$ 361</u>

NOTE 8 – STOCKHOLDERS’ EQUITY

Changes in stockholders’ equity for the nine months ended September 30, 2017 were as follows:

<i>(In thousand \$)</i>	Common Stock		Additional Paid in Capital	Accumulated deficit	Total Stockholders’ equity
	Shares	Amount			
Balance at December 31, 2016	5,344,372	\$ 5	\$ 33,099	\$ (27,786)	\$ 5,318
Net proceeds from sale of common stock	500,000	1	1,926	-	1,927
Stock-based compensation expense	-	-	121	-	121
Net loss	-	-	-	(2,976)	(2,976)
Balance at September 30, 2017	<u>5,844,372</u>	<u>\$ 6</u>	<u>\$ 35,146</u>	<u>\$ (30,762)</u>	<u>\$ 4,390</u>

Registered Direct Offering

On February 3, 2017, the Company entered into a securities purchase agreement with an institutional investor providing for the issuance and sale by the Company of 500,000 shares of common stock, in a registered direct offering at a purchase price of \$4.25 per share, for gross proceeds of \$2,125. The offering closed on February 8, 2017. Offering costs of \$199 were recognized as an offset to additional paid in capital.

Preferred Stock Purchase Rights

Effective February 14, 2017, the Board of Directors declared one Right for each of the Company’s issued and outstanding shares of common stock. The Rights were granted to the stockholders of record at the close of business on February 24, 2017. Each Right entitles the registered holder, upon the occurrence of certain events specified in the Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company’s Series A Preferred Stock at a price of \$7.00, subject to certain adjustments.

The Rights are not exercisable until the occurrence of certain events, including a person acquiring or obtaining the right to acquire beneficial ownership of 10% or more of the Company’s outstanding common stock. The Rights are evidenced by certificates for the common stock and automatically transfer with the common stock unless they become exercisable. If the Rights become exercisable, separate certificates evidencing the Rights will be distributed to each holder of common stock. Holders of the preferred stock will be entitled to certain dividend, liquidation and voting rights. The rights are redeemable by the Company at a fixed price as determined by the Board, after certain defined events. As of September 30, 2017, the Rights have no dilutive effect on the earnings per common share calculation and no shares of preferred stock have been issued. The Company has determined that these rights have a de minimis fair value. The description and terms of the Rights are set forth in the Rights Agreement dated as of February 14, 2017 between the Company and Island Stock Transfer, as Rights Agent.

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Issuance of Common Stock

The Company has periodically issued common stock in connection with certain private and public offerings. During the nine months ended September 30, 2017 and 2016, the Company has received aggregate gross proceeds of \$7,375 from these offerings as follows:

<i>(In thousand \$)</i>		Shares	Gross Proceeds
Date			
March 6, 2016		1,500,000 ⁽¹⁾	\$ 5,250
February 8, 2017		500,000 ⁽²⁾	2,125
		<u>2,000,000</u>	<u>\$ 7,375</u>

(1) Shares issued pursuant to the closing of the first tranche of the Financing with RENS Technology Inc.

(2) Shares issued pursuant to a registered direct offering with an institutional investor.

NOTE 9 – WARRANTS

On March 3, 2016, the Company completed the first tranche of the Financing, pursuant to which the Purchaser acquired a warrant to purchase 375,000 shares of common stock. The warrant was immediately exercisable upon issuance, will expire five years after issuance and has an exercise price of \$7.00 per share.

The warrant was determined to have an estimated aggregate fair value of \$480 at issuance.

The following table summarizes information about outstanding and exercisable warrants at September 30, 2017:

Description	Grant Date	Number of Shares Underlying Warrants Originally Granted	Shares Underlying Warrants Exchanged, Exercised or Expired	Shares Underlying Warrants Outstanding and Exercisable	Exercise Price	Expiration Term in years
Series A ⁽¹⁾	January 27, 2014	315,676	(315,676)	-	N/A	N/A
Series B ⁽¹⁾	January 27, 2014	157,846	-	157,846	\$ 45.00	1.33
Series C ⁽²⁾	November 19, 2014	145,399	(142,957)	2,442	\$ 12.00	2.63
			142,957	142,957	\$ 9.00	2.63
Series D ⁽²⁾	November 19, 2014	193,865	(193,865)	-	N/A	N/A
Series E ⁽²⁾	November 19, 2014	145,399	(145,399)	-	N/A	N/A
			142,957	142,957	\$ 9.00	4.63
Rens ⁽³⁾	March 3, 2016	375,000	-	375,000	\$ 7.00	3.42
		<u>1,333,185</u>	<u>(511,983)</u>	<u>821,202</u>		

(1) Issued in connection with the January 27, 2014 private placement transaction.

(2) Issued in connection with the November 19, 2014 registered direct public offering, and subsequently revised pursuant to Warrant Exercise Agreements entered into on May 18, 2015.

(3) Shares issued pursuant to the closing of the first tranche of the Financing with RENS Technology Inc.

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The following table summarizes the activities in warrants for the nine months ended September 30, 2017:

	Shares Underlying Warrants	Average Exercise Price
Balance at December 31, 2016	1,136,878	\$ 15.01
Warrants expired	(315,676)	\$ 15.00
Balance at September 30, 2017	<u>821,202</u>	<u>\$ 15.02</u>

The following table summarizes the assumptions used to value the warrants at the issuance date using the Black-Scholes option pricing model:

Description	Grant / Modification Date	Number of Shares Underlying Warrants Granted	Stock Price on Measurement Date	Exercise Price	Expected Term	Expected Volatility	Dividend Yield	Risk Free Rate
Series B	1/27/2014	157,846	\$ 7.00	\$ 45.00	5.00	150.00%	0.00%	1.61%
Series C	11/19/2014	145,399	\$ 9.37	\$ 12.00	5.50	94.60%	0.00%	1.64%
Repricing Series C	5/18/2015	142,957	\$ 5.95	\$ 9.00	5.00	96.34%	0.00%	1.46%
Repricing Series E	5/18/2015	142,957	\$ 5.95	\$ 9.00	7.00	96.34%	0.00%	1.87%
Rens Technology	3/3/2016	375,000	\$ 7.00	\$ 7.00	4.00	96.34%	0.00%	1.87%

NOTE 10 – STOCK COMPENSATION

Equity Incentive Plan

The Company's board of directors authorized an increase in the number of shares available for issuance under its 2012 Equity Incentive Plan (as amended, the "Plan") from 550,000 to 850,000 in November 2016, which was approved by the Company's shareholders in December 2016. The Plan provides for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards. As of September 30, 2017, 288,260 shares of common stock were available for future issuances.

The Company granted an aggregate of 30,000 options to purchase restricted common stock to certain directors prior to the adoption of the Plan. Stock options generally vest and become exercisable with respect to 100% of the common stock subject to such stock option on the third (3rd) anniversary of the date of grant. Any unvested portion of a stock option shall expire upon termination of employment or service of the participant granted the stock option, and the vested portion shall remain exercisable in accordance with the provisions of the Plan.

On August 24, 2017 the Company granted an incentive stock option to its Chief Executive Officer to purchase 300,000 shares under the Plan at an exercise price of \$4.00 per share to be vested in eight quarterly installments commencing September 30, 2017. We evaluated the options issued using the Black-Scholes calculation with a stock price of \$1.32, time to maturity of 6 years, risk free rate of 2.19%, and annualized volatility of 100% to determine that there is no significant adjustment in valuation.

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Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 2017:

	Shares Under Exercisable Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balance at December 31, 2016	300,340	\$ 15.09	6.71
Options granted	300,000	\$ 4.00	9.90
Options forfeited/expired	(38,600)	\$ 15.70	
Balance at September 30, 2017	<u>561,740</u>	<u>\$ 9.46</u>	6.20

At September 30, 2017 and December 31, 2016, the exercisable options had no intrinsic value.

The following table summarizes information about options outstanding and exercisable at September 30, 2017 that were granted under the Plan:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable	Weighted Average Remaining Contractual Life
\$ 4.00	300,000	9.90	-	9.90
\$ 8.60	16,000	6.70	16,000	6.70
\$ 10.00	40	5.39	40	5.39
\$ 12.10	30,000	6.86	30,000	6.86
\$ 12.50	81,700	6.96	60,221	4.98
\$ 13.45	2,000	6.98	1,000	6.98
\$ 13.50	12,000	6.99	9,049	6.99
\$ 17.50	100,000	5.61	100,000	5.61
\$ 32.00	15,000	4.04	15,000	4.04
\$ 34.50	5,000	4.07	5,000	4.07
	<u>561,740</u>		<u>236,310</u>	

As of September 30, 2017, 236,310 options have vested and 325,430 options remain unvested. The vesting terms range from 4.0 to 9.9 years; vested options have a weighted average remaining term of 6.86 years; and a weighted average exercise price of \$9.46 per share.

Restricted Stock

The following table summarizes restricted stock awards activity for the nine months ended September 30, 2017:

	Shares	Weighted Average Grant Date Share Price
Restricted stock awards unvested at December 31, 2016	53,857	\$ 2.74
Granted	-	
Forfeited / expired	-	
Vested	50,957	2.14
Restricted stock awards unvested at September 30, 2017	<u>2,900</u>	<u>\$ 1.00</u>

At September 30, 2017, the weighted-average remaining vesting period of unvested restricted stock awards was 0.5 years.

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Stock-Based Compensation:

Stock-based compensation was \$39 and \$38 for the three months ended September 30, 2017 and 2016, respectively, and \$121 and \$264 for the nine months ended September 2017 and 2016, respectively. Stock-based compensation consists of expenses related to the issuance of stock options and restricted stock.

The aggregate unrecognized compensation expense of stock options and restricted stock at September 30, 2017 was \$415, which will be recognized through August 2021.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Supply Agreement

On November 18, 2016, the Company entered into an Amended Supply Agreement with DIL Technologie GmbH (“DIL”). Pursuant to the agreement (and so long as the agreement is effective), DIL will manufacture and supply the Company with Fortetropin®, the active ingredient for its products, and the Company will purchase quantities of Fortetropin® from DIL in its discretion. DIL will manufacture the formula exclusively for the Company in perpetuity, and may not manufacture the formula for other entities (but may manufacture it for its own non-commercial research). The Company agreed, commencing January 2017, to pay DIL €10,000 (approximately \$12,000) per month for prepayment of inventory purchases. The monthly payments terminate upon the earlier of: (a) the date that the Company orders additional product in accordance with the terms of the agreement and (b) December 31, 2018, and the Company has no further financial obligations to DIL thereafter. The Company also agreed to pay DIL €400,000 (approximately \$525,000) in satisfaction of all prior liabilities and obligations under its prior agreements with DIL. The agreement expires on December 31, 2018, and the Company has the unilateral right to renew the agreement for subsequent one-year terms. At September 30, 2017, the future minimum payments under the supply agreement were as follows:

(In thousand \$)

Years Ended December 31,	Amount
2017 (remaining three months)	\$ 36
2018	132
Total	\$ 168

Operating Lease

The Company leases its corporate offices under an operating lease. The term of the lease is five years commencing on January 1, 2015 and expiring on December 31, 2019. The Company has two options to renew the lease for an additional three years each. At September 30, 2017, the future minimum lease payments under the non-cancellable operating lease in excess of one year is as follows:

(In thousand \$)

Years Ended December 31,	Amount
2017 (remaining three months)	\$ 18
2018	71
2019	72
Total	\$ 161

Rent expense including common area maintenance charges and taxes for the three months ended September 30, 2017 and 2016 was \$21 and \$55, respectively, and for the nine months ended September 30, 2017 and 2016 was \$46 and \$155, respectively.

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Defined Contribution Plan

The Company established a 401(K) Plan (the “401(K) Plan”) for eligible employees of the Company effective April 1, 2014. Generally, all employees of the Company who are at least twenty-one years of age and who have completed three months of service are eligible to participate in the 401(K) Plan. The 401(K) Plan is a defined contribution plan that provides that participants may make salary deferral contributions of up to the statutory maximum allowed by law (subject to catch-up contributions) in the form of voluntary payroll deductions. The Company’s matching contribution is equal to 100 percent on the first four percent of a participant’s compensation which is deferred as an elective deferral. The Company’s aggregate matching contributions were \$8 and \$5 for the three months ended September 30, 2017 and 2016, respectively, and \$17 and \$21 for the nine months ended September 30, 2017 and 2016, respectively.

Product Liability

As a manufacturer of nutritional products that are ingested by consumers, the Company may be subject to various product liability claims. Although we have not had any claims to date, it is possible that future product liability claims could have a material adverse effect on our business or financial condition, results of operations or cash flows. The Company currently maintains product liability insurance of \$5 million per-occurrence and a \$10 million annual aggregate coverage. At September 30, 2017 and December 31, 2016, the Company had not recorded any accruals for product liability claims.

Research Study

In April 2017 the Company entered into an agreement with the College of Veterinary Medicine at Kansas State University to study the impact of Fortetropin on reducing muscle atrophy in dogs after ligament tear repair surgery. The study is expected to cost \$32, began in the second quarter of 2017 and is expected to be completed by the second quarter of 2018. The Company’s research costs were \$3 and \$1 for the three months ended September 30, 2017 and 2016, respectively, and \$42 and \$16 for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

The following is a description of the transactions we have engaged in with our directors, director nominees and officers and beneficial owners of more than five percent of our voting securities and their affiliates:

On August 1, 2015, we entered into a consulting agreement with Muscle Longevity LLC, a company that has the same owner as Ultra Pro Sports, LLC, a then greater than 5% beneficial owner of our common stock. Under the terms of the agreement, Muscle Longevity LLC then agreed to provide introductions and referrals to new distribution channels for our products including, but not limited to, health and wellness centers and sports nutrition companies and to conduct industry research and advise us regarding distributors, markets, and sales opportunities for the Company’s products. As compensation for the services, Muscle Longevity LLC was paid a consulting fee of \$16 per month. The agreement was terminated in October 2016.

On December 17, 2015, concurrent with the execution of the Purchase Agreement with RENS Technology Inc., the Company issued an unsecured promissory note in the principal amount of \$575 (the “Note”) to Gan Ren, a related party of RENS Agriculture and the son of Ren Ren, one of our directors. The Note accrued interest at a rate of 8% per annum and matured (the “Maturity Date”) on December 17, 2016. On the Maturity Date, the Note and accrued interest of \$46 were automatically converted into 225,864 shares of Common Stock at \$2.75 per share.

On December 17, 2015, we entered into the Purchase Agreement with Rens Technology Inc. (the “Purchaser”), an entity which is controlled by Ren Ren, who is currently a director of the Company and its largest stockholder. For additional information refer to Note 1 – Strategic Investment Transaction. The Board agreed to issue Mr. Ren 18,182 shares of the Company’s common stock upon completion of the first tranche of the Financing for his services to the Company as a member of the Board. (See Note 13).

In October 2016, the Company entered into a sales agreement with RENS Agriculture. We received a 50% deposit in November 2016 in order to manufacture the product. The goods were shipped in January 2017 and received in China in March 2017. We have not received payment for the order to date. As a result of the ongoing litigation (See Note 13), the Company recorded bad debt expense of \$59 related to the receivable due from RENS Agriculture.

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NOTE 13 – LEGAL PROCEEDINGS

On January 6, 2017, the Company commenced an action in the Supreme Court of New York, County of New York, against RENS Technology, Inc. (“the Purchaser”), RENS Agriculture, the parent company of the Purchaser, and Ren Ren, a principal in both entities and a director of the Company, arising from the Purchaser’s breach of a Securities Purchase Agreement under which the Purchaser agreed to invest an aggregate of \$20.25 million in the Company in exchange for an aggregate of 3,537,037 shares of common stock of the Company and warrants to purchase an aggregate of 884,259 shares of common stock. In addition to seeking compensatory, consequential and other damages in the action, the Company asked the Court to preliminarily restrain the Purchaser and its agents and representatives, including, but not limited to, RENS Agriculture and Ren Ren, from selling, transferring, conveying, assigning, hypothecating or encumbering 1,500,000 shares of common stock of the Company and a warrant permitting the purchase of 375,000 share at a price of \$7.00 per share that the Purchaser had purchased under the Securities Purchase Agreement and, after the parties had an opportunity to submit opposition and reply papers in connection with the Company’s application, a preliminary injunction prohibiting the Purchaser from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares and warrant during the pendency of the action and an order attaching the stock and warrant to satisfy any judgment entered in favor of the Company.

On January 11, 2017, the Court granted the Company the preliminary restraints that it requested, which prevents RENS Technology, among others, from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares of the Company’s common stock or the aforementioned warrant. The Court scheduled a hearing on February 14, 2017, at which time the Court heard oral argument on the application for a preliminary injunction and prejudgment attachment of the stock and warrants to satisfy any judgment entered in favor of the Company. Since then, RENS Technology filed a motion to dismiss the complaint which the Company has opposed.

On April 11, 2017, the Court denied our application for a prejudgment attachment of the Purchaser’s acquired shares and warrant and a preliminary injunction in aid of the attachment to prevent a sale, transfer, or hypothecation of such securities, and vacating the preliminary restraints which it had previously entered. However, the Court noted that we had demonstrated a likelihood of success on the merits of the breach of contract claim. An application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties was scheduled for oral argument, but we thereafter amended the complaint in August 2017. The amended complaint repeated most of the initial claims but added a number of additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. We are seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against us and Joseph Mannello, our then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and was grossly negligent in managing our company. The action seeks monetary damages and injunctive relief from Mr. Mannello as well as the appointment of a receiver over us. Subsequently, the Purchaser submitted a petition to appoint a receiver and we and Mr. Mannello submitted a motion to dismiss the action, both of which are currently pending and are due to be heard in December 2017.

NOTE 14 – SUBSEQUENT EVENTS

Effective October 18, 2017, the Company entered into a sports marketing agreement to promote its Qurr[®] product line to colleges and universities in the IMG College network.

Subsequent to the end of the quarter, on October 26, 2017 the Company sold 500,000 shares of common stock for \$2.144 per share for gross proceeds of \$1,070 in an at-the-market offering.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2016.

Certain statements in this section contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report and not clearly historical in nature are forward-looking, and the words "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "intends," "potential," and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) generally are intended to identify forward-looking statements. Any statements in this report that are not historical facts are forward-looking statements. Actual results may differ materially from those projected or implied in any forward-looking statements. Such statements involve risks and uncertainties, including but not limited to those relating to product and customer demand, market acceptance of our products, the ability to create new products, the ability to achieve a sustainable profitable business, the effect of economic conditions, the ability to protect our intellectual property rights, competition from other providers and products, risks in product development, our ability to raise capital to fund continuing operations, and other factors discussed from time to time in our filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statement for events or circumstances after the date on which such statement is made except as required by law. Amounts in this section are in thousands, unless otherwise indicated.

Overview

We were incorporated in the State of Nevada on April 11, 2007. On March 17, 2016, we merged with our wholly-owned subsidiary and changed our name from MYOS Corporation to MYOS RENS Technology Inc. Prior to February 2011, we did not have any operations and did not generate any revenues. In February 2011, we acquired our proprietary active ingredient called Fortetropin[®], the first clinically shown natural myostatin reducing agent. Since February 2011, our principal business activities have been focused on deepening our scientific understanding of the activity of Fortetropin, and to leverage this knowledge to strengthen and build our intellectual property; developing sales and marketing strategies aimed at expanding our commercial presence; evaluating the value of Fortetropin in various markets and, conducting research and development focused on the discovery, development and commercialization of other products and technologies aimed at maintaining or improving the health and performance of muscle tissue.

We are an emerging bio-nutrition and bio-therapeutics company focused on the discovery, development and commercialization of nutritional products, functional foods, therapeutic products and other technologies aimed at maintaining or improving the health and performance of muscle tissue. Our initial core ingredient is Fortetropin, a natural, reversible, temporary myostatin reducing agent. Our plan of action is to: (i) create a sales platform through marketing products containing our proprietary ingredient Fortetropin in established, growing, and new markets and strategic selection of partnerships and collaborations to maximize near-term and future revenues, (ii) deepen the scientific understanding of the activity of Fortetropin, specifically as a natural, reversible, temporary reducer of the regulatory protein myostatin, and to leverage this knowledge to strengthen and build our intellectual property, (iii) conduct research and development activities to evaluate myostatin modulation in a range of both wellness and disease states, (iv) identify other products and technologies which may broaden our portfolio and define a business development strategy to protect, enhance and accelerate the growth of our products, (v) reduce the cost of manufacturing through process improvement, and (vi) identify contract manufacturing resources that can fully meet our future growth requirements. We believe that myostatin regulation represents a rational entry point for our drug discovery efforts and are evaluating therapeutic targets in this area.

Our commercial focus is to leverage our clinical data to develop multiple products to target the large, but currently underserved, markets focused on muscle health. The sales channels through which we sell our products are evolving.

The first product we introduced was MYO-T12, which was sold in the sports nutrition market. MYO T-12 is a proprietary formula containing Fortetropin and other ingredients. The formula was sold under the brand name MYO T-12 and later as MYO-X through an exclusive distribution agreement with Maximum Human Performance, or MHP. There were no sales to MHP in 2016 and we do not expect any orders from MHP in 2017.

In February 2014, we expanded our commercial operations into the age management market through a distribution agreement with Cenegenics Product and Lab Services, LLC (“Cenegenics”), under which Cenegenics distributed and promoted a proprietary formulation containing Fortropin through its age management centers and its community of physicians focused on treating a growing population of patients focused on proactively addressing age-related health and wellness concerns. The distribution agreement with Cenegenics expired in December 2016. As of December 31, 2016 we recognized all of the deferred revenue. In May 2017, we received a purchase order from Cenegenics to deliver more product to them in 2017. We recorded the \$20 received as a down payment as deferred revenue. We shipped 50% of the product ordered during the three months ended September 30, 2017 and recognized \$10. The remaining deferred revenue will be recognized later in the year when we shipped the balance of the order.

During the second quarter of 2015 we launched Rē Muscle HealthTM, our own direct-to-consumer portfolio of muscle health bars, meal replacement shakes and daily nutrition powders each powered by a full 6.6 gram single serving dose of Fortropin. Our Rē Muscle Health products were previously sold through our e-commerce website, remusclehealth.com, and amazon.com. In March 2017, the Company stopped selling these products.

In March 2017 we launched our Fortropin®-powered product line formulated to support the vital role of muscle in overall well-being as well as in fitness. Qurr[®] is a line of flavored puddings, powders, and shakes all shown to be safe for daily use. Qurr’s muscle-focused, over-the-counter products are available through convenient direct online ordering. All Qurr[®] products are blended with Fortropin[®], MYOS’ proprietary ingredient which has been clinically demonstrated to reduce serum myostatin levels, which helps increase muscle size and lean body mass. MYOS’ earlier product formulations featuring Fortropin[®] have become part of the daily routine of many athletes and fit-conscious people. We continue to pursue additional distribution and branded sales opportunities. We expect to continue developing our own core branded products in markets such as functional foods, sports and fitness nutrition and rehab and restorative health and to pursue international sales opportunities. There can be no assurance that we will be able to secure distribution arrangements on terms acceptable to the Company, or that we will be able to generate significant sales of our current and future branded products.

Strategic Investment Transaction

On December 17, 2015, we entered into a Securities Purchase Agreement (the “Purchase Agreement”) with RENS Technology Inc. (the “Purchaser”), pursuant to which the Purchaser agreed to invest \$20.25 million in the Company (the “Financing”) in exchange for (i) an aggregate of 3,537,037 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share (“Common Stock”), and (ii) warrants to purchase an aggregate of 884,259 shares of Common Stock (the “Warrants”, and together with the Shares, the “Securities”). The Purchaser agreed to purchase the Securities in three tranches over twenty-four months. In the first tranche, which closed on March 3, 2016, the Purchaser acquired 1,500,000 Shares and 375,000 Warrants (the “Initial Warrant”) for \$5.25 million. In the second tranche, which was to close within six months of the closing of the first tranche, the Purchaser agreed to acquire 925,926 Shares and 231,481 Warrants (the “Second Warrant”) for \$5.0 million. In the third tranche, which was to close within eighteen months of the closing of the second tranche, the Purchaser agreed to acquire 1,111,111 Shares and 277,778 Warrants (the “Third Warrant”) for \$10.0 million. Each of the Warrants was to be immediately exercisable upon issuance, was to expire five years after issuance and was to have the following exercise prices: (a) \$7.00 per share for the Initial Warrant, (b) \$10.80 per share for the Second Warrant and (c) \$18.00 per share for the Third Warrant. In addition, the Company agreed: (i) that the Purchaser will have the right to appoint four persons to the Company’s board of directors, subject to adjustment based on the Purchaser’s ownership percentage of the Company; (ii) to provide the Purchaser with a right to participate in 50% (or 100% if shares are to be issued for less than \$3.50 per share) of any future financings pursued by the Company within 12 months from the closing of the third tranche of the Financing; and, (iii) until the closing of the third tranche, the Company would not take certain actions, including issuing shares (except for certain permitted issuances) or appointing new officers and directors, without the Purchaser’s consent (collectively, the “Purchaser’s Rights”). In addition, on December 17, 2015, the Company issued a convertible note in the amount of \$575 to Gan Ren, a related party of RENS Agriculture. The convertible note provided short-term funding to the Company prior to the closing of the first tranche of the Financing. On December 17, 2016 the convertible note and accrued interest was converted into 225,860 shares at \$2.74 per share.

The first tranche of the Financing was completed on March 3, 2016. The Company used the net proceeds from the first tranche of the Financing to fund its working capital, product development and marketing, research and development and other general corporate purposes. On August 19, 2016, the Purchaser notified the Company that it did not intend to fulfill its obligation to fund the second tranche of the Financing, notwithstanding its confirmation to the Company in June 2016 that the Purchaser would provide such funding in accordance with the terms of the Purchase Agreement. The Purchase Agreement provides that in the event that the Purchaser notifies the Company that it does not intend to fund the Second Closing Subscription Amount, the Purchaser is required to take all requisite action to cause the resignation or removal of one of its designees on the Board of Directors of the Company. Pursuant to the terms of the Purchase Agreement, effective August 23, 2016, Guiying Zhao resigned as a director of the Company. In addition, the Purchaser’s Rights terminated, effective August 19, 2016.

On January 6, 2017, the Company commenced an action in the Supreme Court of New York, County of New York, against RENS Technology, Inc., RENS Agriculture Science & Technology Co., Ltd (“RENS Agriculture”), the parent company of RENS Technology, and Ren Ren, a principal in both entities and a director of the Company, arising from RENS Technology’s breach of a Securities Purchase Agreement under which RENS Technology agreed to invest an aggregate of \$20.25 million in the Company in exchange for an aggregate of 3,537,037 shares of common stock of the Company and warrants to purchase an aggregate of 884,259 shares of common stock. In addition to seeking compensatory, consequential and other damages in the action, the Company asked the Court to preliminarily restrain RENS Technology and its agents and representatives, including, but not limited to, RENS Agriculture and Ren Ren, from selling, transferring, conveying, assigning, hypothecating or encumbering 1,500,000 shares of common stock of the Company and a warrant permitting the purchase of 375,000 shares at a price of \$7.00 per share that RENS Technology had purchased under the Securities Purchase Agreement and, after the parties had an opportunity to submit opposition and reply papers in connection with the Company’s application, a preliminary injunction prohibiting RENS Technology from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares and warrant during the pendency of the action and an order attaching the stock and warrant to satisfy any judgment entered in favor of the Company.

On January 11, 2017, the Court granted the Company the preliminary restraints that it requested, which prevents RENS Technology, among others, from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares of the Company’s common stock or the aforementioned warrant. The Court scheduled a hearing on February 14, 2017, at which time the Court heard oral argument on the application for a preliminary injunction and prejudgment attachment of the stock and warrants to satisfy any judgment entered in favor of the Company. Since then, RENS Technology filed a motion to dismiss the complaint which the Company has opposed.

On April 11, 2017, the Court denied our application for a prejudgment attachment of the Purchaser’s acquired shares and warrant and a preliminary injunction in aid of the attachment to prevent a sale, transfer, or hypothecation of such securities, and vacating the preliminary restraints which it had previously entered. However, the Court noted that we had demonstrated a likelihood of success on the merits of the breach of contract claim. An application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties was scheduled for oral argument, but we thereafter amended the complaint in August 2017. The amended complaint repeated most of the initial claims but added a number of additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. We are seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against us and Joseph Mannello, our then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and was grossly negligent in managing our company. The action seeks monetary damages and injunctive relief from Mr. Mannello as well as the appointment of a receiver over us. Subsequently, the Purchaser submitted a petition to appoint a receiver and we and Mr. Mannello submitted a motion to dismiss the action, both of which are currently pending and are due to be heard in December 2017.

Clinical and Basic Research Programs

We invest in research and development activities externally through academic and industry collaborations aimed at enhancing our products, optimizing manufacturing and broadening the product portfolio. We have developed the following collaborations with various academic centers:

- In April 2017, we entered into an agreement with the College of Veterinary Medicine at Kansas State University to study the impact of Fortetropin on reducing muscle atrophy in dogs after ligament tear repair surgery. The study is expected to cost \$32 and is expected to be completed by the second quarter of 2018.
- In May 2015, we initiated a dose response clinical study led by Jacob Wilson, Ph.D., CSCS*D, Professor of Health Sciences and Human performance at the University of Tampa, to examine the effects of Fortetropin supplementation on plasma myostatin levels at various dosing levels in young adult males and females. This study was intended to help us better define the dose response curve, the minimal effective dose and effects of Fortetropin on serum myostatin. In this double blind placebo controlled clinical study, 80 male and female subjects ranging in ages between 18 and 22 were randomized into four groups such that no significant differences in serum myostatin concentration existed between groups. Following assignment to one of the four groups, blood samples were collected to establish baseline values. Subjects were subsequently supplemented with three different doses of Fortetropin (2.0g, 4.0g and 6.6g) and a matching placebo for one week. Following a week of supplementation, blood samples were collected and serum myostatin levels were assayed. Results demonstrated that Fortetropin is effective as a myostatin reducing agent at daily doses of 4.0g and 6.6g. This research, which continues to build upon our current knowledge of Fortetropin, may result in the formulation of new products. Data from this study was presented at the 2016 International Conference on Frailty & Sarcopenia in April 2016.
- In May 2014, we entered into an agreement with the University of Tampa to study the effects of Fortetropin supplementation in conjunction with modest resistance training in average men. The study was a double-blind, placebo-controlled trial which examined the effects of Fortetropin on skeletal muscle growth, lean body mass, strength, and power in recreationally trained males. Forty-five subjects were divided into placebo, 6.6g and 19.8g dosing arms of Fortetropin daily for a period of 12 weeks. Results demonstrated a statistically significant increase in both muscle thickness and lean body mass in subjects taking Fortetropin compared to placebo. The clinical study also analyzed blood myostatin and cytokines levels via high-sensitivity enzyme-linked immunosorbent assay (“ELISA”) based spectrophotometric. Serum was analyzed for a plethora of relative cytokine levels via high-sensitivity enhanced chemiluminescent-based methods. The Interferon-Gamma (“IFN- γ ”) inflammatory cytokine protocol screening showed no statistically significant changes in serum levels of IFN- γ for subjects in the placebo group. However, subjects in both Fortetropin daily dosing arms experienced statistically significant decreases ($p < 0.05$) in serum levels of the IFN- γ inflammatory cytokine. The lipid serum safety protocol demonstrated that daily use of Fortetropin at recommended and three times the recommended dose had no adverse lipid effect and did not adversely affect cholesterol, HDL or triglyceride levels. Data from the study was presented at the American College of Nutrition’s 55th annual conference. A separate mechanism of action study at the University of Tampa demonstrated that in addition to reducing serum myostatin levels, Fortetropin showed activity in mTOR and Ubiquitin pathways, two other crucial signaling pathways in the growth and maintenance of healthy muscle. Specifically, the preclinical data showed that Fortetropin up-regulates the mTOR regulatory pathway. The mTOR pathway is responsible for production of a protein kinase related to cell growth and proliferation that increases skeletal muscle mass. Up-regulation of the mTOR pathway is important in preventing muscle atrophy. The preclinical data also demonstrated that Fortetropin acts to reduce the synthesis of proteins in the Ubiquitin pathway, a highly selective, tightly regulated system that serves to activate muscle breakdown. Over-production in the Ubiquitin pathway is responsible for muscle degradation. We believe Fortetropin’s ability to regulate production in the Ubiquitin pathway may have significant implications for repairing age-related muscle loss.

Results of Operations

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

	Three Months September 30,		Change	
	2017	2016	Dollars	%
Net revenues	\$ 160	\$ 39	\$ 121	312%
Cost of sales	65	30	35	118%
Gross profit	95	9	86	
Operating expenses:				
Selling, marketing and advertising	90	97	(7)	(7%)
Research & development	1	4	(3)	(75%)
Personnel and benefits	269	281	(12)	(4%)
Shared based compensation	39	38	1	3%
General and administrative	382	391	(9)	(2%)
Amortization of acquired intangibles	71	53	18	34%
Total operating expenses	852	864	(12)	(1%)
Operating loss	(757)	(855)	(98)	11%
Other income (expense), net	4	(11)	15	135%
Net loss	\$ (753)	\$ (866)	\$ (113)	13%

Net revenues

Net revenues for the three months ended September 30, 2017 increased 312% to \$160 compared to \$39 for the three months ended September 30, 2016. The increase in net revenues was primarily due to the launch of our new product line in March 2017 as well as an order from Cenegenics in May 2017.

Cost of sales

Cost of sales for the three months ended September 30, 2017 increased 118% to \$65 compared to \$30 for the three months ended September 30, 2016. The increase was primarily due to the costs associated with the launch of our new product line in March 2017 as well as costs associated in fulfilling an order from Cenegenics in May 2017.

Operating expenses

Operating expenses for the three months ended September 30, 2017 decreased 1% to \$852, compared to operating expenses of \$864 for the three months ended September 30, 2016. The decrease of \$12 is due primarily to savings in all areas of operating expenses of \$30 offset by increase in amortization expense of \$18.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

	Nine Months Ended September 30,		Change	
	2017	2016	Dollars	%
Net revenues	\$ 369	\$ 300	\$ 69	23%
Cost of sales	244	292	(48)	(16%)
Gross profit	125	8	117	1,461%
Operating expenses:				
Selling, marketing and advertising	557	778	(221)	(28%)
Research & development	42	16	26	163%
Personnel and benefits	932	1,071	(139)	(13%)
Shared based compensation	121	264	(143)	(54%)
General and administrative	1,206	1,233	(27)	(2%)
Amortization of acquired intangibles	196	157	39	25%
Loss on asset impairments / bad debt	59	44	15	32%
Total operating expenses	3,113	3,563	(450)	(13%)
Operating loss	(2,988)	(3,555)	567	17%
Other income (expense), net	12	(34)	46	129%
Net loss	\$ (2,976)	\$ (3,589)	\$ (613)	17%

N/M = Percent change not meaningful

Net revenues

Net revenues for the nine months ended September 30, 2017 increased 23% to \$369 compared to \$300 for the nine months ended September 30, 2016. The increase in net revenues was primarily due to the launch of our new product line in March 2017 as well as an order from Cenegenics in May 2017.

Cost of sales

Cost of sales for the nine months ended September 30, 2017 decreased 16% to \$244 compared to \$292 for the nine months ended September 30, 2016. The decrease was primarily due to costs associated with the launch of our new product line of \$25 and an order from Cenegenics of \$23, offset by a decrease in inventory reserve in the nine months ended September 30, 2016.

Operating expenses

Operating expenses for the nine months ended September 30, 2017 decreased 13% to \$3,113, compared to \$3,563 for the nine months ended September 30, 2016. The decrease of \$450 is due primarily to savings in selling, marketing and advertising of \$221; a decrease in personnel costs of \$139; a decrease in share based compensation of \$143 and a decrease in general & administrative costs of \$26 offset by increase in amortization of \$38 due to capitalized web-site amortization costs during the nine months ended September 30, 2017.

Liquidity and Capital Resources

Working capital at September 30, 2017 and December 31, 2016 is summarized as follows:

	September 30, 2017	December 31, 2016	Increase (Decrease)
Current Assets:			
Cash	\$ 468	\$ 1,866	\$ (1,398)
Accounts receivable, net	56	8	48
Inventories, net	1,821	1,862	(41)
Prepaid expenses and other assets	500	85	415
Total current assets	<u>\$ 2,845</u>	<u>\$ 3,821</u>	<u>\$ 976</u>
Current liabilities:			
Accounts payable	\$ 107	\$ 226	\$ (119)
Accrued expenses and other current liabilities	368	361	7
Deferred revenue	10	56	(46)
Total current liabilities	<u>\$ 485</u>	<u>\$ 643</u>	<u>\$ (158)</u>

Working capital decreased \$818 to \$2,360 at September 30, 2017 compared to \$3,178 at December 31, 2016. Changes in working capital components were as follows:

- Cash decreased \$1,398 for the nine months ended September 30, 2017 primarily due to net cash used in operating activities of \$3,200, deferred offering costs of \$125 less \$1,927 received from proceeds of issuance of common stock in February 2017.
- Inventories, net decreased slightly by \$41 during the nine months ended September 30, 2017 due to sales of the new product line.
- Prepaid expenses and other assets increased \$415 primarily due to an increase in prepayment of inventories of \$157, an increase in insurance premiums of \$98 and an increase in other prepaid expenses of \$160.
- Accounts payable decreased \$119 primarily due to the timing of payments under new vendor processing and lower spending.
- Accrued expenses and other current liabilities increased \$7 primarily due to a decrease of \$25 in accrued professional fees, a \$47 decrease in other liabilities offset by a \$93 increase in insurance payable.

At September 30, 2017, the Company had cash of \$468 and total assets of \$4,875 (which includes \$1,711 of net intangible assets).

Summarized cash flows for the nine months ended September 30, 2017 and 2016 are as follows:

	Nine Months Ended September 30,		
	2017	2016	Change
Net cash used in operating activities	\$ (3,200)	(3,031)	(169)
Net cash provided by financing activities	1,802	5,041	(3,239)
Net (decrease) / increase in cash	<u>\$ (1,398)</u>	<u>2,010</u>	<u>(3,408)</u>

Net cash used in operating activities represents net loss adjusted for certain non-cash items and changes in operating assets and liabilities. Net cash used in operating activities for the nine months ended September 30, 2017 increased \$169 compared to the nine months ended September 30, 2016. For additional information about the changes in operating assets and liabilities, refer to the above discussion on working capital and the condensed consolidated statement of cash flows as of September 30, 2017.

Net cash provided by financing activities includes proceeds from borrowing and issuing equity instruments. Net cash provided by financing activities for the nine months ended September 30, 2017 includes net proceeds of \$1,926 relating to the sale of securities on February 7, 2017 to an institutional investor in a registered direct offering of 500,000 shares offset by deferred offering costs of \$125.

Net cash provided by financing activities for the nine months ended September 30, 2016 includes net proceeds of \$5,141 from the closing of the first tranche of the Financing with RENS Technology Inc. on March 3, 2016, partially offset by \$100 used to pay off the Term Note on January 7, 2016

Term Note

On September 10, 2015, the Company converted its outstanding revolving note with City National Bank, which had a termination date of August 31, 2015, into a term note (the "Term Note"). The Term Note provided that the then outstanding balance of \$400 shall be payable along with interest thereon on the last day of each month in four (4) consecutive installments of \$100, with the final installment due and payable in full on December 31, 2015. At December 31, 2015, the balance under the Term Note was \$100. The Term Note was paid in full on January 7, 2016.

Long-term Contractual Obligations

At September 30, 2017, the Company's enforceable and legally binding contractual obligations include future minimum lease payments under a non-cancellable operating lease and purchase obligations under a long-term supply agreement.

At September 30, 2017, the future minimum lease payments under the non-cancellable operating lease were as follows:

<i>Years Ended December 31,</i>	Amount
2017 (remaining three months)	\$ 18
2018	71
2019	72
Total	<u>\$ 161</u>

For additional information about the operating lease refer to "NOTE 11 – Commitments and Contingencies – Operating Lease" in the notes to condensed consolidated financial statements.

Supply Agreement

At September 30, 2017, the future minimum payments under the supply agreement were as follows:

<i>Years Ended December 31,</i>	Amount
2017 (remaining three months)	\$ 36
2018	132
Total	<u>\$ 168</u>

The agreement expires on December 31, 2018, and the Company has the unilateral right to renew the agreement for subsequent one-year terms.

For additional information about the supply agreement refer to "NOTE 11 – Commitments and Contingencies – Supply Agreement" in the notes to condensed consolidated financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

In September 2017, FASB issued Accounting Standards Update (ASU) No. 2017-13, Revenue from Contracts with Customers which amended FASB Accounting Standards Codification® (ASC) by creating Topic 606, Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

The FASB also issued the following amendments to ASU No. 2014-09 to provide clarification on the guidance:

- ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date
- ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent (Reporting Revenue Gross vs Net)
- ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing
- ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients

The adoption of Topic 606 is required for public entities for reporting periods beginning after December 15, 2017. This accounting guidance is effective for us beginning January 1, 2018 using one of two prescribed transition methods. We have evaluated the effect that the updated standard will have on our consolidated financial statements looking at our revenue for 2016 & 2017 and related disclosure and the Company does not expect the adoption to have a significant impact on its consolidated financial statements.

The Company will adopt the provisions of this ASU for its fiscal year beginning January 1, 2018

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This update is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-09 is not expected to have a significant impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill, which accomplishes exactly what its title indicates by eliminating the second step in the current goodwill impairment calculation. Currently there is a two-step process for determining the amount of any goodwill impairment. In Step 1 an entity determines if the carrying value of the reporting unit (for which goodwill has been recorded) exceeds the fair value of the reporting unit. If the calculation in Step 1 indicates that the carrying value of a reporting unit for which goodwill has been recorded exceeds the fair value, the entity would have to determine the implied fair value of the reporting unit’s goodwill. An impairment would be recorded to the extent that the goodwill carrying value exceeded the implied fair value of goodwill at the reporting date. The amount of any goodwill impairment must take into consideration the effects of income taxes for any tax deductible goodwill. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2019. The ASU is to be applied prospectively. Early adoption is permitted. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2017-04 is not expected to have a significant impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force).” The amendments in this Update relate to eight specific types of cash receipts and cash payments which current U.S. GAAP either is unclear or does not include specific guidance on the cash flow classification issues. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted the provisions of this ASU for its fiscal year beginning January 1, 2018. The adoption of ASU 2016-15 did not have a significant impact on its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers (Topic 606), Narrow Scope Improvements and Practical Expedients.” The amendments in ASU 2016-12 affect only the narrow aspects of Topic 606 that are outlined in ASU 2016-12 and is effective for annual reporting periods beginning after December 31, 2017, including interim reporting periods within that reporting period. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2016-12 is not expected to have a significant impact on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10 “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing.” The amendments in this Update affect entities with transactions included within the scope of Topic 606. The scope of that Topic includes entities that enter into contracts with customers to transfer goods or services (that are an output of the entity’s ordinary activities) in exchange for consideration. The effective date to adopt the ASU is for fiscal years beginning after December 15, 2017. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2016-10 is not expected to have a significant impact on its consolidated financial statements.

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09”). ASU 2016-09 provides guidance designed to simplify several aspects of the accounting for share-based payment transactions, including guidance relating to accounting for income taxes with respect to share-based payment awards; providing generally that excess tax benefits related to share-based awards should be recorded as a reduction to income tax expense (currently, excess tax benefits generally are recorded to additional-paid-in-capital); providing generally that excess tax benefits related to share-based awards should be classified along with other income tax cash flows as an operating activity (currently, excess tax benefits generally are separated from other income tax cash flows and classified as a financing activity); providing that an entity may make an accounting policy election either to base compensation cost accruals on the number of awards expected to vest (as required by current guidance) or to account for forfeitures when they occur; modifying the current exception to liability classification such that partial cash settlement of an award for tax withholding purposes would not result, by itself, in liability classification of the award if the amount withheld does not exceed the maximum statutory tax rate in the employees’ applicable jurisdictions (currently, an award cannot qualify for equity classification, rather than liability classification, if the amount withheld exceeds the minimum statutory withholding requirements); and providing that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity on the statement of cash flows (currently there is no authoritative guidance addressing this classification issue). The guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Depending on the particular issue addressed by the guidance, application of the guidance will be made prospectively, retrospectively or subject to a retrospective transition method. The adoption of ASU 2016-09 did not have a significant impact on the consolidated financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning January 1, 2019, with early application permitted. We have evaluated the adoption of ASU 2016-12 and determined that the standard will not have a significant impact on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”) ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented and is effective for periods beginning after December 15, 2016. The adoption of ASU 2015-17 did not have a significant impact on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”), which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis by us beginning January 1, 2017, with early adoption permitted. The adoption of ASU 2015-17 did not have a significant impact on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires all debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the associated debt.

Prior to the issuance of this standard, debt issuance costs, which are specific incremental costs, other than those paid to the lender, that are directly attributable to issuing a debt instrument (i.e., third party costs), were required to be presented in the balance sheet as a deferred charge (i.e., an asset). Under ASU 2015-03, the presentation of debt issuance costs is consistent with the presentation for a debt discount, (i.e., a direct adjustment to the carrying value of the debt). ASU 2015-03 does not affect the recognition and measurement of debt issuance costs. Accordingly, the amortization of such costs should continue to be calculated using the interest method and be reported as interest expense. ASU 2015-03 is effective for us beginning January 1, 2016. The Company has evaluated the impact of the updated guidance and has determined that the adoption of ASU 2015-03 does not have an impact on the consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). The amendments in this update define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and provides related footnote disclosure requirements. Under U.S. GAAP, financial statements are prepared under the presumption that the reporting organization will continue to operate as a going concern, except in limited circumstances. Financial reporting under this presumption is commonly referred to as the going concern basis of accounting. The going concern basis of accounting establishes the fundamental basis for measuring and classifying assets and liabilities. This update provides guidance on when there is substantial doubt about an organization's ability to continue as a going concern and how the underlying conditions and events should be disclosed in the footnotes. It is intended to reduce diversity that existed in footnote disclosures because of the lack of guidance about when substantial doubt existed. The amendments in this update are effective for us beginning December 31, 2016. The Company has evaluated the impact of the updated guidance and has disclosed the impact in the footnotes on its consolidated financial statements.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, equity and the disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future non-conforming events. Accordingly, the actual results could differ significantly from estimates. Significant items subject to such estimates include but are not limited to the valuation of stock-based awards, measurement of allowances for doubtful accounts and inventory reserves, the selection of asset useful lives, fair value estimations used to test long-lived assets, including intangibles, for impairment and provisions necessary for assets and liabilities. The Company has recorded minimal sales to its distributors during the past seven consecutive quarters and has only recently launched its Qurr[®] portfolio of branded products. Management's estimates, including evaluation of impairment of long-lived assets and inventory reserves are based in part on forecasted future results. A variety of factors could cause actual results to differ from forecasted results and these differences could have a significant effect on asset carrying amounts.

Concentrations of Credit Risk

Management regularly reviews accounts receivables, and if necessary, establishes an allowance for doubtful accounts that reflects management's best estimate of amounts that may not be collectible based on historical collection experience and specific customer information. Bad debt expense recognized as a result of an allowance for doubtful accounts is classified under selling, general and administrative expenses in the statements of operations. If we are unable to collect our outstanding accounts receivable from our distributors, or if our distributors are unable or unwilling to purchase our products, our operating results and financial condition will be adversely affected.

Fair Value of Long-Lived Assets

We test long-lived assets, including fixed assets and intangibles with finite lives, for recoverability when events or changes in circumstances indicate that the net carrying amount is greater than its fair value. Assets are grouped and evaluated at the lowest level for their identifiable cash flows that are largely independent of the cash flows of other groups of assets. We consider historical performance and future estimated results in our evaluation of potential impairment and then compare the carrying amount of the asset to the future estimated cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we measure the amount of impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate we utilize to evaluate potential investments. We estimate fair value based on the information available in making the necessary estimates, judgments and projections.

Our policy is to evaluate intangible assets subject to amortization for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment testing of intangible assets subject to amortization involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the asset's carrying value over its fair value, calculated using a discounted future cash flow method. The computed impairment loss is recognized in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset.

Stock-based Compensation

Stock-based payments are measured at their estimated fair value on the date of grant. Stock-based awards to non-employees are re-measured at fair value each financial reporting date until performance is complete. Stock-based compensation expense recognized during a period is based on the estimated number of awards that are ultimately expected to vest. For stock options and restricted stock that do not vest immediately but which contain only a service vesting feature, we recognize compensation cost on the unvested shares and options on a straight-line basis over the remaining vesting period.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options and the market price of our common stock on the date of grant for the fair value of restricted stock issued. Our determination of fair value of stock-based awards is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and certain other market variables such as the risk free interest rate.

Income Taxes

We account for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before we are able to realize their benefits, or that future deductibility is uncertain. We record a valuation allowance for deferred tax assets, if any, based on our estimates of future taxable income as well as tax planning strategies when it is more likely than not that a portion or all of its deferred tax assets will not be realized. If we are able to utilize more of our deferred tax assets than the net amount previously recorded when unanticipated events occur, an adjustment to deferred tax assets would increase our net income when those events occur.

Inventory Reserves

Inventories are valued at the lower of cost or market, with cost determined on a first-in, first-out basis. Our policy is to recognize an inventory reserve as a loss in earnings in the period in which evidence exists that the market value of inventory is less than its cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Inventory "market value" is initially deemed to be current replacement cost, but it cannot be more than the net realizable value, and it cannot be less than the net realizable value, less an approximate normal profit margin. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete and sell finished goods, including direct selling costs such as transportation and sales commissions. The multiple possible outcomes that can result from applying lower of cost or market can make inventory valuation highly complex.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company, and therefore, we are not required to provide information required by this Item of Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedure include, without limitations, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, an evaluation was completed by our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings.

On October 27, 2016, Cutler Holdings, L.L.C. (“Cutler”) filed a complaint in the Superior Court of New Jersey alleging that the Company failed to make certain rental payments. On March 30, 2017, the Company entered into a settlement agreement with Cutler, pursuant to which Cutler released the Company from any liability for the claims asserted in the complaint.

On January 6, 2017, the Company commenced an action in the Supreme Court of New York, County of New York, against RENS Technology, Inc. (“the Purchaser”), RENS Agriculture, the parent company of the Purchaser, and Ren Ren, a principal in both entities and a director of the Company, arising from the Purchaser’s breach of a Securities Purchase Agreement under which the Purchaser agreed to invest an aggregate of \$20.25 million in the Company in exchange for an aggregate of 3,537,037 shares of common stock of the Company and warrants to purchase an aggregate of 884,259 shares of common stock. In addition to seeking compensatory, consequential and other damages in the action, the Company asked the Court to preliminarily restrain the Purchaser and its agents and representatives, including, but not limited to, RENS Agriculture and Ren Ren, from selling, transferring, conveying, assigning, hypothecating or encumbering 1,500,000 shares of common stock of the Company and a warrant permitting the purchase of 375,000 share at a price of \$7.00 per share that the Purchaser had purchased under the Securities Purchase Agreement and, after the parties had an opportunity to submit opposition and reply papers in connection with the Company’s application, a preliminary injunction prohibiting the Purchaser from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares and warrant during the pendency of the action and an order attaching the stock and warrant to satisfy any judgment entered in favor of the Company.

On January 11, 2017, the Court granted the Company the preliminary restraints that it requested, which prevents RENS Technology, among others, from selling, transferring, conveying, assigning, hypothecating or encumbering the 1,500,000 shares of the Company’s common stock or the aforementioned warrant. The Court scheduled a hearing on February 14, 2017, at which time the Court heard oral argument on the application for a preliminary injunction and prejudgment attachment of the stock and warrants to satisfy any judgment entered in favor of the Company. Since then, RENS Technology filed a motion to dismiss the complaint which the Company has opposed. No decision has been made by the Court on these two pending applications.

On April 11, 2017, the Court denied our application for a prejudgment attachment of the Purchaser’s acquired shares and warrant and a preliminary injunction in aid of the attachment to prevent a sale, transfer, or hypothecation of such securities, and vacating the preliminary restraints which it had previously entered. However, the Court noted that we had demonstrated a likelihood of success on the merits of the breach of contract claim. An application by the Purchaser to dismiss the complaint and various pre-trial discovery applications by both parties was scheduled for oral argument, but we thereafter amended the complaint in August 2017. The amended complaint repeated most of the initial claims but added a number of additional claims against RENS Agriculture, Mr. Ren and two additional Chinese defendants, including a claim against RENS Agriculture for breaching the exclusive distribution agreement, as well as claims against all defendants for theft and misappropriation of our confidential proprietary information and trade secrets, breach of fiduciary duty and duty of loyalty, misappropriation of corporate opportunity, unfair competition and a number of other torts. We are seeking damages and injunctive relief. The Purchaser has filed a motion to dismiss the amended complaint, which is still pending.

On August 16, 2017, the Purchaser commenced an action in the District Court of Clark County in the State of Nevada against us and Joseph Mannello, our then interim Chief Executive Officer, alleging that Mr. Mannello had breached his fiduciary duties and was grossly negligent in managing our company. The action seeks monetary damages and injunctive relief from Mr. Mannello as well as the appointment of a receiver over us. Subsequently, the Purchaser submitted a petition to appoint a receiver and we and Mr. Mannello submitted a motion to dismiss the action, both of which are currently pending and are due to be heard in December 2017.

Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 31, 2017 and in our Registration Statement on Form S-3, initially filed with the SEC on October 25, 2017, as amended (“Form S-3”). Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

As of the date of this report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 or our Form S-3 filed with the SEC, except we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None

Item 6. Exhibits.

No.	Description
10.1	Employment Agreement, dated as of August 24, 2017, by and between Joseph Mannello and MYOS RENS Technology, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on August 28, 2017)
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MYOS RENS TECHNOLOGY INC.

Date: November 9, 2017

By: /s/ Joseph Mannello

Name: Joseph Mannello

Title: Chief Executive Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph Mannello, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MYOS RENS Technology Inc. (the "report");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2017

By: /s/ Joseph Mannello
Name: Joseph Mannello
Title: Chief Executive Officer
(Principal Executive Officer and
Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of MYOS RENS Technology Inc. (the "Company") for the quarter ended September 30, 2017, (the "Report"), I, Joseph Mannello, the Principal Executive Officer and the Principal Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2017

By: /s/ Joseph Mannello
Name: Joseph Mannello
Title: Chief Executive Officer
(Principal Executive Officer and
Principal Financial Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.