TRANSAX INTERNATIONAL LTD
Form 10QSB
November 19, 2007

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

Form 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________ to __________

Commission File Number: 0-27845

TRANSAX INTERNATIONAL LIMITED
(Exact name of small business issuer as specified in charter)

COLORADO	90-0287423
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

8th Floor, 5201 Blue Lagoon Drive
Miami, FL, 33126
(Address of principal executive offices)

(305) 629-3090
(Issuer's telephone number)

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding as of November 10, 2007
Common Stock, $0.00001 par value	33,582,778

Transitional Small Business Disclosure Format (Check one): Yes |_| No |X|

TRANSAX INTERNATIONAL LIMITED
FORM 10-QSB

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(UNAUDITED)

ASSETS

CURRENT ASSETS:	
Cash	$ 47,117
Accounts receivable (net of allowance for doubtful accounts of $0)	550,948
Prepaid expenses and other current assets	306,720
TOTAL CURRENT ASSETS	904,785

SOFTWARE DEVELOPMENT COSTS, net	406,048
PROPERTY AND EQUIPMENT, net	796,621
OTHER ASSETS	4,800
TOTAL ASSETS	$ 2,112,254
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Current portion of loans payable	$ 423,286
Convertible debenture payable	225,000
Accounts payable and accrued expenses	2,090,715
Due to related parties	371,466
Warrant liability	137,165
Convertible feature liability	1,263,359
Loans payable - related party	276,945
Convertible loans - related party	233,328
TOTAL CURRENT LIABILITIES	5,021,264
LOANS PAYABLE, NET OF CURRENT PORTION	18,391
ACCOUNTS PAYABLE AND ACCRUED EXPENSES, NET OF CURRENT PORTION	441,728
TOTAL LIABILITIES	5,481,383
STOCKHOLDERS' DEFICIT:	
Series A convertible preferred stock, no par value; 16,000 shares authorized; 15,880 shares issued and outstanding; liquidation preference $1,588,000	1,467,879
Common stock $.00001 par value; 100,000,000 shares authorized; 62,030,511 shares issued and 32,332,778 outstanding	323
Paid-in capital	7,834,308
Accumulated deficit	(12,765,375)
Accumulated other comprehensive income	93,736
TOTAL STOCKHOLDERS' DEFICIT	(3,369,129)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 2,112,254

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

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE SE
	2007	2006	2007
	(UNAUDITED)	(UNAUDITED)	(UNAUDIT

REVENUES	$ 1,328,636	$ 1,115,930	$ 3,852,
OPERATING EXPENSES:			
Cost of product support services	580,372	392,002	1,540,
Compensation and related benefits	219,465	277,598	652,
Professional fees	17,496	43,707	96,
Management and consulting fees - related parties	71,365	157,502	284,
Investor relations	9,700	94,442	27,
Depreciation and amortization	105,592	50,817	272,
General and administrative	438,258	306,671	1,025,
TOTAL OPERATING EXPENSES	1,442,248	1,322,739	3,898,
LOSS FROM OPERATIONS	(113,612)	(206,809)	(46,
OTHER INCOME (EXPENSES):			
Other income (expenses)	(52,871)	15,815	14,
Foreign exchange loss	(9,166)	(1,576)	(22,
Debt settlement and offering costs	-	-	
Gain (loss) from derivative liabilities	331,500	(30,946)	738,
Registration rights penalty	-	(160,000)	
Interest expense	(49,756)	(231,239)	(342,
Interest expense - related party	(20,093)	(8,823)	(44,
TOTAL OTHER INCOME (EXPENSES)	199,614	(416,769)	344,
INCOME (LOSS) BEFORE INCOME TAXES	86,002	(623,578)	298,
PROVISION FOR INCOME TAXES	(145,462)	-	(145,
NET INCOME (LOSS)	(59,460)	(623,578)	152,
DEEMED AND CUMULATIVE PREFERRED STOCK DIVIDENDS	(27,790)	(28,230)	(83,
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ (87,250)	$ (651,808)	$ 69,
COMPREHENSIVE INCOME (LOSS):			
NET INCOME (LOSS)	$ (59,460)	$ (623,578)	$ 152,
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized foreign currency translation (loss) gain	147,064	31,418	(
COMPREHENSIVE INCOME (LOSS)	$ 87,604	$ (592,160)	$ 152,
NET INCOME (LOSS) PER COMMON SHARE:			
BASIC	$ -	$ (0.02)	$
DILUTED	$ -	$ (0.02)	$

WEIGHTED AVERAGE SHARES OUTSTANDING:			
BASIC	32,299,923	31,981,702	32,121,
DILUTED	32,299,923	31,981,702	72,988,

The accompanying notes are an integral part of these consolidated financial statem

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
	(UNAUDITED)	(UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ 152,842	$(2,617,66
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	272,503	172,74
Amortization of software maintenance costs	176,264	160,40
Stock-based compensation and consulting	-	247,71
Grant of warrants in connection with debt extension	-	46,68
Amortization of deferred debt issuance costs	4,783	121,33
Amortization of debt discount	31,250	93,75
(Gain) loss from derivative liabilities	(738,898)	1,215,68
Changes in assets and liabilities:		
Accounts receivable	(102,922)	(67,26
Prepaid expenses and other current assets	(24,834)	(48,81
Other assets	-	(2,40
Accounts payable and accrued expenses	453,665	(49,89
Accrued interest payable, related party	57,144	16,43
Due to related parties	138,727	11,18
Accounts payable and accrued expenses - long-term	(113,165)	104,44
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	307,359	(595,65
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capitalized software development costs	(254,409)	(179,50
Acquisition of property and equipment	(36,713)	(269,79
NET CASH USED IN INVESTING ACTIVITIES	(291,122)	(449,29
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from sale of Series A preferred stock	-	1,223,73
Repayments under capital lease obligations	-	(16,28
Proceeds from loan payable	-	136,03
Repayment of loan	(125,205)	
Proceeds from loan - related party	80,000	
Repayment of loan - related party	-	(85,00

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(45,205)	1,258,47
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,584	54
NET INCREASE (DECREASE) IN CASH	(24,384)	214,07
CASH, BEGINNING OF PERIOD	71,501	7,87
CASH, END OF PERIOD	$ 47,117	$ 221,94
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 297,602	$ 199,11
Cash paid for income taxes	$ -	$
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for debt and accrued interest	$ -	$ 15,00
Common stock and options issued for services	$ -	$ 82,71
Loan paid with preferred stock proceeds	$ -	$ 255,23
Derivative liabilities recorded for deemed preferred stock dividend	$ -	$ 1,600,00
Seres A preferred stock converted to common stock	$ 11,092	$

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

TRANSAX INTERNATIONAL LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, the financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary to make the interim financials not misleading have been included and such adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the financial statements for the year ended December 31, 2006 and notes thereto contained in the Report on Form 10-KSB of Transax International Limited ("our Company" or the "Company") as filed with the Securities and Exchange Commission (the "Commission"). The results of operations for the nine months ended

September 30, 2007 are not necessarily indicative of the results for the full fiscal year ending December 31, 2007.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements include the Company and its wholly-owned subsidiaries, Transax Limited, Medlink Conectividade em Saude Ltda., Transax (Australia) Pty Ltd., and Medlink Technologies, Inc. All material intercompany balances and transactions have been eliminated in the consolidated financial statements.

Organization

Transax International Limited was incorporated in the State of Colorado in 1999. The Company, primarily through its wholly-owned subsidiary, Medlink Conectividade em Saude Ltda ("Medlink"), is an international provider of information network solutions specifically designed for healthcare providers and health insurance companies. The Company's MedLink Solution (TM) enables the real time automation of routine patient eligibility, verification, authorizations, claims processing and payment functions. The Company has offices located in Miami, Florida and Rio de Janeiro, Brazil. Effective March 31, 2007, the Company closed its office in Australia and closed Transax (Australia) Pty Ltd.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates used in the preparation of the accompanying financial statements include the allowance for doubtful accounts receivable, the useful lives of property, equipment and the accounting for capitalized software development costs, variables used to determine stock-based compensation, and the valuation of derivative liabilities.

Fair value of financial instruments

The fair value of our cash, accounts receivable, accounts payable and accrued expenses approximate carrying values due to their short maturities. The fair values of the Company's debt instruments approximate their carrying values based on rates currently available to it.

TRANSAX INTERNATIONAL LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company's revenues, which do not require any significant production, modification or customization for the Company's targeted customers and do not have multiple elements, are recognized when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the Company's fee is fixed

and determinable, and; (4) collectibility is probable.

Substantially all of the Company's revenues are derived from the processing of applications by healthcare providers for approval of patients for healthcare services from insurance carriers. The Company's software or hardware devices containing the Company's software are installed at the healthcare provider's location. The Company offers transaction services to authorize and adjudicate identity of the patient and obtains "real time" approval for any necessary medical procedure from the insurance carrier. The Company's transaction-based solutions provide remote access for healthcare providers to connect with contracted insurance carriers. Transaction services are provided through contracts with insurance carriers and others, which specify the services to be utilized and the markets to be served. The Company's clients are charged for these services on a per transaction basis. Pricing varies depending on the type of transactions being processed under the terms of the contract for which services are provided. Transaction revenues are recognized in the period in which the transactions are performed.

Foreign currency translation

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the period-end exchange rates, equity is converted historically and all revenue and expenses are translated into U.S. dollars at the average exchange rates prevailing during the periods in which these items arise. Translation gains and losses are deferred and accumulated as a component of other comprehensive income or loss in stockholders' deficit. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency (Medlink - Brazilian Real, Transax Australia - Australian dollar and Transax Limited and the Company - USD) are included in the Statement of Operations as incurred.

Comprehensive income (loss)

Other comprehensive income (loss) currently includes only foreign currency translation adjustments.

Stock-based compensation

The Company uses the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-Based Payments," which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No.123(R), stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant).

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings/Loss per common share

Basic earnings/loss per share is computed by dividing net earnings/loss by the weighted average number of shares of common stock outstanding during the period. Diluted income per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of the common shares issuable upon the exercise of stock options and warrants (using the treasury stock method) and upon the conversion of convertible preferred stock (using the if-converted method). A reconciliation of the denominator used in the calculation of basic and diluted net income (loss) per share is as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
NUMERATOR:				
Net income (loss) available to common shareholders	$ (87,250)	$ (651,808)	$ 69,052	$ (4,280,112)
DENOMINATOR:				
Weighted-average shares outstanding for basic earnings (loss) per share	32,299,923	31,981,702	32,121,302	31,683,345
Effect of dilutive securities:				
Convertible debt	-	-	5,357,143	-
Convertible preferred stock	-	-	35,509,839	-
Weighted-average shares outstanding for diluted earnings (loss) per share	32,299,923	31,981,702	72,988,284	31,683,345

The following were excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact. In periods where the Company has a net loss, all dilutive securities are excluded. In periods where the Company has net income, the dilutive securities are excluded when, for example, their exercise prices are greater than the average fair values of the Company's common stock as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Stock options	2,825,000	3,625,000	2,825,000	3,625,000
Stock warrants	11,902,500	16,902,500	11,902,500	16,902,500
Convertible debt	5,357,143	2,447,917	-	2,447,917
Convertible debt-related party .	1,400,000	1,400,000	1,400,000	1,400,000
Convertible preferred stock .. .	35,509,839	14,814,815	-	14,814,815

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of credit risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and accounts receivable.

The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts receivable. As a consequence, the Company believes that its accounts receivable credit risk exposure beyond such allowances is limited. The Company recognizes an allowance for doubtful accounts to ensure accounts receivable are not overstated due to uncollectibility and are maintained for all customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. As of September 30, 2007, the allowance for doubtful accounts was $0.

The Company's principal business activities are located in Brazil. Although Brazil is considered to be economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

The Company had net revenues from two major customers that accounted for approximately 89% or $3,433,449, and 98%, or $3,062,990, of the total revenues for the nine months ended September 30, 2007 and 2006, respectively. For the nine months ended September 30, 2007, these two major customers accounted for 49.5% and 39.6% of net revenues, respectively. At September 30, 2007, these two major customers accounted for 55% and 35%, respectively, of the total accounts receivable balance outstanding.

The Company maintains its cash in accounts with major financial institutions in the United States and Brazil in the form of demand deposits and money market accounts. Deposits in these banks may exceed the amounts of insurance provided on such deposits. As of September 30, 2007, the Company had no deposits subjected to such risk. Historically we have not experienced any losses on our deposits of cash and cash equivalents.

Accounting for conversion features and warrants issued with preferred stock

In 2006, the Company issued $1,600,000 of convertible Series A preferred stock, which contained an Embedded Conversion Feature ("ECF") and warrants to purchase common stock. In accordance with the guidance in paragraph 12 of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," it was necessary to evaluate the separation of the conversion option from the debt host and account for it separately as a derivative if the conversion option met certain criteria. The Conversion option met all three criteria of paragraph 12: (1) the conversion feature is not clearly and closely related to the host component, (2) the convertible instrument is not accounted for at fair value, and (3) the embedded conversion option meets the definition of a derivative in paragraph 6 of SFAS No. 133.

TRANSAX INTERNATIONAL LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for conversion features and warrants issued with preferred stock (continued)

To assess whether or not the ECF would be classified as stockholders' equity if it were freestanding, management considered the guidance in EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." In assessing whether or not the conversion option would be classified as equity or a liability if it were freestanding, management determined whether or not the Series A convertible preferred stock is considered "conventional." EITF 00-19 and EITF 05-2, "The Meaning of Conventional Convertible Debt Instruments in issue No. 00-19," defines conventional convertible debt as debt whereby the holder will, at the issuer's option, receive a fixed amount of shares or the equivalent amount of cash as proceeds when he exercises the conversion option. Management determined that Series A convertible preferred stock was not "conventional," and the Company considered all aspects of EITF 00-19, paragraphs 12-33.

This caused the ECF of the Series A convertible preferred stock to be classified as a derivative financial instrument under SFAS No. 133. In addition, all warrants to purchase common stock issued with the preferred stock were then deemed to be classified as derivative instruments under SFAS No. 133. The accounting treatment of derivative financial instruments requires that the Company record the ECF and warrants at their fair values as of each reporting date. Any change in fair value is recorded as non-operating, non-cash income or expense at each reporting date. The derivatives were valued using the Black-Scholes option pricing model and are classified in the consolidated balance sheet as current liabilities at September 30, 2007.

Income Taxes

The Company files federal and state income tax returns in the United States for its domestic operations, and files separate foreign tax returns for the Company's foreign subsidiaries in the jurisdictions in which those subsidiaries operate. Due to net operating loss carry forwards available, no provision for income taxes has been recorded for the U.S. entities for the nine months ended September 30, 2007.

Recent accounting pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("SFAS 109"). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this interpretation did not

have an impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance for how companies should measure fair value when required to use a fair value measurement for recognition or disclosure purposes under generally accepted accounting principles. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing what impact, if any, the adoption of SFAS 157 will have on its consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

In December 2006, the FASB issued Staff Position EITF 00-19-2, "Accounting for Registration Payment Arrangements." The pronouncement specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, "Accounting for Contingencies." The Company believes that its current accounting is consistent with FSP EITF 00-19-2. Accordingly, its adoption has had no effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115", under which entities will now be permitted to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157. The Company is currently assessing what impact, if any, the adoption of SFAS 159 will have on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

NOTE 2 - RELATED PARTY TRANSACTIONS

Convertible Loans Payable

At September 30, 2007, the Company had aggregate loans payable for $175,000 to a related party company whose officer is an officer of the Company. On March 23, 2005, the Company modified the terms of its convertible loans to this related party. Under the modified terms, $75,000 of principal due under the convertible loans was due on March 31, 2007 and is convertible into the Company's common stock at $0.125 per share. The remaining principal of $100,000 was due on April 30, 2007 and is convertible into the Company's common stock at $0.125 per share. For each common share received upon conversion of the principal balance, the

related party is entitled to receive one warrant to purchase the Company's common stock at $0.25 per share for a period of two years from the conversion date. The interest rate of the loan is 12% per annum compounded monthly. At September 30, 2007, interest due on these two loans amounted to $58,328 and the aggregate principal amount due is $175,000. During the nine months ended September 30, 2007 and 2006, the Company incurred $15,707 and $15,707, respectively, in interest expense related to these two loans. These two loans are in default and currently under re-negotiation with the lender.

NOTE 2 - RELATED PARTY TRANSACTIONS (continued)

Due to Related Parties

For the nine months ended September 30, 2007 and 2006, the Company incurred $144,405 and $133,615, respectively, in management fees to an officer/director of the Company, which has been included in management and consulting fees - related party on the accompanying consolidated statements of operations. Effective July 1, 2007, the Company's board of directors agreed to increase the compensation of this officer/director from $15,000 per month to $17,500 per month. Additionally, on August 18, 2006, the Company granted this officer 150,000 options to purchase 150,000 shares of the Company's common stock at $0.15 per share. The options expire on August 17, 2011. The fair value of this option grant was estimated at $22,304 on the date of grant using the Black-Scholes option-pricing model. In connection with these options, for the nine month ended September 30, 2006, the Company recorded stock-based compensation expense of $22,304, which has been included in management and consulting fees - related party on the accompanying consolidated statement of operations. At September 30, 2007, $330,456 in management fees and other expenses are payable to this officer/director and are included in due to related parties on the accompanying consolidated balance sheet. The amount due is unsecured, non-interest bearing and is payable on demand.

For the nine months ended September 30, 2007 and 2006, the Company incurred $35,627 and $40,147, respectively, in accounting fees to a company whose officer is an officer of the Company. The fees are included in management and consulting fees - related party on the accompanying consolidated statements of operations. At September 30, 2007, $32,510 in these fees is payable to this officer and is included in due to related parties on the accompanying consolidated balance sheet.

For the nine months ended September 30, 2007 and 2006, the Company incurred $32,000 and $61,600, respectively, in consulting fees to an officer of the Company. Additionally, on January 26, 2006, the Company granted this officer 100,000 options to purchase 100,000 shares of the Company's common stock at $0.15 per share. The options expire on February 5, 2011. The fair value of this option grant was estimated at $12,834 on the date of grant using the Black-Scholes option-pricing model. In connection with these options, the Company recorded stock-based compensation expense of $12,834 that has been included in management and consulting fees - related party on the accompanying consolidated statement of operations. At September 30, 2007, $2,500 of these fees is payable to this officer and is included in due to related parties on the accompanying consolidated balance sheet.

For the nine months ended September 30, 2007 and 2006, the Company incurred

$72,000 and $94,000, respectively, in consulting fees to a director of the Company that has been included in management and consulting fees - related party on the accompanying consolidated statements of operations. Additionally, on August 18, 2006, the Company granted this officer 75,000 options to purchase 75,000 shares of the Company's common stock at $0.15 per share. The options expire on August 17, 2011. The fair value of this option grant was estimated at $11,152 on the date of grant using the Black-Scholes option-pricing model. In connection with these options, for the nine months ended September 30, 2006, the Company recorded stock-based compensation expense of $11,152, which has been included in management and consulting fees - related party on the accompanying consolidated statement of operations. At September 30, 2007, $6,000 of these fees is payable to this officer and is included in due to related parties on the accompanying consolidated balance sheet.

NOTE 2 - RELATED PARTY TRANSACTIONS (continued)

Loans Payable - Related Party

On March 5, 2004, the Company borrowed Euro 115,000 ($164,128 at September 30, 2007) from an officer of the Company for working capital purposes. The loan accrues 0.8% interest, compounded monthly (9.6% per annum), had an initial term of twelve months, and was repayable quarterly in arrears. On September 25, 2007, the officer agreed to extend this loan for an additional twelve months until March 4, 2008. Additionally, during fiscal 2007, the Company borrowed $80,000 from this officer. This loan accrues 1.0% interest, compounded monthly (12% per annum), and are due on demand. Additionally, in connection with these loans, the Company incurred a loan fee of $5,000 and an additional fee of 5,500 EURO (approximately $7,756) which has been included in interest expense - related party on the accompanying statement of operations. For the nine months ended September 30, 2007 and 2006, the Company incurred $29,143 and $10,861, respectively, in interest related to these loans. At September 30, 2007, $32,817 in interest and loan fees was accrued on these loans and the aggregate principal and interest amount due is $276,945 and is included in loan payable - related party on the accompanying balance sheet.

NOTE 3 - FINANCING ARRANGEMENTS

Loans Payable

The Company's subsidiary, Medlink, has several loans and credit lines with financial institutions. The loans require monthly installment payments, bear interest at rates ranging from 30% to 50% per annum, are secured by certain receivables of Medlink, and are due through July 2009. At September 30, 2007, loans payable to these financial institutions aggregated $441,677.

Convertible Debentures Payable

On April 1, 2005, the Company entered into a Securities Purchase Agreement with Scott and Heather Grimes, Joint Tenants - with Rights of Survivorship (the "Investor"). Pursuant to the Securities Purchase Agreement, the Company issued convertible debentures to the Investor in the original principal amount of $250,000. The debentures are convertible at the holder's option any time up to

maturity at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock on the date of the debentures or (ii) 80% of the lowest closing bid price of the common stock for the five trading days immediately preceding the conversion date. The debentures have a two-year term and accrue interest at 5% per year. On February 1, 2006, the Company and the debenture holder mutually agreed to extend the term of the debentures until December 1, 2007. At maturity, the debentures will automatically convert into shares of common stock at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock on the date of the debentures or (ii) 80% of the lowest closing bid price of the common stock for five trading days immediately preceding the conversion date.

The Company determined that the conversion feature of the convertible debentures represents an embedded derivative since the debentures are convertible into a variable number of shares. Accordingly, the convertible debentures are not considered to be conventional debt under EITF 00-19 and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. The Company believes that the aforementioned embedded derivative meets the criteria of SFAS 133 and EITF 00-19, and should be accounted for as a separate derivative with a corresponding value recorded as a liability. Accordingly, the fair value of this derivative instrument has been recorded as a liability on the consolidated balance sheet.

NOTE 3 - FINANCING ARRANGEMENTS (continued)

Convertible Debentures Payable (continued)

The change in the fair value of the liability for derivative contracts has been recorded as other income / (expense) in the consolidated statements of operations. In connection with the loan extension, in February 2006, the Company granted a warrant to purchase 400,000 shares of the Company's common stock to the debenture holder. The warrant has a term of two years and is exercisable at $0.20 per share. The fair value of this warrant grant was estimated at $46,686 on the date of grant using the Black-Scholes option-pricing model. In connection with these warrants, on February 1, 2006, the Company recorded debt settlement expense of $46,686 and a warrant liability of $46,686.

On July 17, 2006, in connection with the conversion of $15,000 of outstanding principal on this convertible debenture, the Company issued 104,167 shares of common stock. On October 31, 2006, in connection with the conversion of $10,000 of outstanding principal on this convertible debenture, the Company issued 151,515 shares of common stock.

At the end of each reporting period, the Company revalues the warrant and convertible feature of these derivative liabilities. For the nine months ended September 30, 2007 and 2006, the Company recorded a gain on valuation of the derivative liability and warrants of $113,412 and $5,510, respectively. Amortization of debt discount for the nine months ended September 30, 2007 and 2006 was $31,250 and $93,750, respectively, and is included in interest expense. Amortization of debt offering costs for the nine months ended September 30, 2007 and 2006 was $4,783 and $14,348, respectively, and is included in interest expense. At September 30, 2007, the estimated fair values of the convertible feature derivative liabilities and warrants are $130,937 and $874, respectively, and are reflected as a conversion feature liability and warrant liability,

respectively, on the accompanying consolidated balance sheet.

The Company agreed to register, on a best efforts basis, 3,571,429 shares of its common stock underlying the conversion of the debentures and the exercise of the warrants.

At the valuation date of September 30, 2007, the following assumptions were applied to the convertible debt and warrants:

	September 30, 2007
Market price	$0.057
Exercise price of debt	$0.042 to $0.20
Term	0.50 years
Volatility	114%
Risk-free interest rate	4.05%

The convertible debenture liability is as follows at September 30, 2007:

Convertible debentures payable	$225,000
Less: unamortized discount on debentures	-
Convertible debentures, net	$225,000

TRANSAX INTERNATIONAL LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - FINANCING ARRANGEMENTS (continued)

Convertible Debentures Payable (continued)

For the nine months ended September 30, 2007, the related gain or loss from derivative liabilities is as follows:

	Convertible debt	Preferred stock (See Note 4)	Total
2007			
Change in fair value of derivative liabilities	$ 113,412	$ 625,486	$ 738,898
Total gain from derivative liabilities	$ 113,412	$ 625,486	$ 738,898
2006			
Initial loss on derivative valuation	$ -	$ (680,498)	$ (680,498)
Change in fair value of derivative liabilities	$ 5,510	$ (540,692)	$ (535,182)
Total loss from derivative liabilities	$ 5,510	$(1,221,190)	$(1,215,680)

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NOTE 4 - STOCKHOLDERS' DEFICIT

Preferred Stock

On January 13, 2006, the Company entered into an Investment Agreement with Cornell Capital Partners, LP ("Cornell"), and, together with the Company, (the "Parties"), pursuant to which the Company agreed to sell to Cornell up to 16,000 shares of Series A Convertible Preferred Stock, no par value, (the "Series A Preferred Shares") which shall be convertible, at Cornell's discretion, into shares of the Company's common stock, par value $.00001 (the "Common Stock") for a total price of up to $1,600,000.

Of the 16,000 Series A Preferred Shares to be sold, 8,000 were sold to Cornell on January 13, 2006 and had a purchase price of $800,000, which consisted of $255,237 from the surrender of a Promissory Note and $544,763 consisting of new funding, from which the Company received net proceeds of $495,734 after the payment of placement fees of $49,029. Additionally, the Company paid approximately $25,000 in legal fees with the proceeds of this financing. On May 8, 2006, the Company sold the remaining 8,000 shares to Cornell, at the purchase price of $800,000 and received proceeds of $728,000 (net of placement fees of $72,000).

On January 13, 2006, the Company also issued to Cornell warrants to purchase up to 5,000,000 shares of Common stock. The first warrant issued to Cornell is for 2,500,000 shares of Common Stock at an exercise price of $0.30 per share and shall terminate after the five (5) year anniversary of the date of issuance. The second warrant issued to Cornell is for 2,500,000 shares of Common Stock at an exercise price of $0.20 per share and shall terminate after the five (5) year anniversary of the date of issuance.

Subject to the terms and conditions of an Investor Registration Rights Agreement, the Company was required to prepare and file in 2006 and shall cause the Registration Statement to remain effective until all of the Registerable Securities have been sold. The Company filed its initial registration statement on Form SB-2 on May 9, 2006 and it has not been declared effective.

NOTE 4 - STOCKHOLDERS' DEFICIT (continued)

Preferred Stock (continued)

In the event the Registration Statement is not declared effective by the SEC on or before the Scheduled Effective Deadline, or if after the Registration Statement has been declared effective by the SEC, sales cannot be made pursuant to the Registration Statement, the Company will pay as liquidated damages (the "Liquidated Damages") to the holder, at the holder's option, either a cash amount or shares of the Company's Common Stock equal to two percent (2%) of the Liquidation Amount (as defined in the Certificate of Designation of Series A Convertible Preferred Shares) outstanding as Liquidated Damages for each thirty (30) day period or any part thereof after the Scheduled Filing Deadline or the Scheduled Effective Deadline as the case may be. In fiscal 2006, the Company

recorded a registration rights penalty expense of $160,000 that is included in accrued expenses on the accompanying consolidated balance sheet. Based on discussions with Cornell and management's analysis, the Company does not believe that any additional penalty is due under the Investor Registration Rights Agreement.

In accordance with SFAS No. 133, the Company is required to record the fair value of the ECF and warrants as a liability. In connection with the initial sale of the Series A Preferred Stock on January 13, 2006, the initial estimated fair value of the ECF and warrants was $588,363 and $689,000, respectively, which reduced the carrying value of the Series A Preferred Stock to zero. The $477,363 excess value of the fair values of the ECF and warrants over the gross proceeds received from the Preferred Stock was charged to loss from derivative liabilities upon sale. In connection with the final sale of the Series A Preferred Stock on May 8, 2006, the initial estimated fair value of the ECF was $1,003,135, which reduced the carrying value of the Series A Preferred Stock to zero. The $203,135 excess value of the fair values of the ECF over the gross proceeds received from the Preferred Stock was charged to loss from derivative liabilities upon sale. At September 30, 2007, the Company revalued the ECF and warrants resulting in a gain on derivative liability of $625,486 for the nine months ended September 30, 2007.

At September 30, 2007, the estimated fair value of the ECF and warrants was $1,132,422 and $136,291, respectively, and are reflected as a conversion feature liability and a warrant liability, respectively, on the accompanying consolidated balance sheet.

At the valuation date of September 30, 2007, the fair value of the ECF and warrants were estimated using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2007
Dividend rate	0%
Term (in years)	1.3 to 3.3 years
Volatility	114%
Risk-free interest rate	4.05%

At September 30, 2007, cumulative and unpaid Series A preferred dividends amounting to $62,444 are in included in accounts payable and accrued expenses on the accompanying consolidated balance sheet.

On July 10, 2007, the Company issued 302,267 shares of its common stock upon conversion of 120 shares of Series A preferred stock.

NOTE 4 - STOCKHOLDERS' DEFICIT (continued)

Stock Options

A summary of the status of the Company's outstanding stock options as of September 30, 2007 and changes during the period then ended are as follows:

	Number of Options	Weighted Average Exercise Price

Balance at December 31, 2006	3,425,000	$ 0.29
Granted	-	-
Exercised	-	-
Forfeited	(600,000)	0.28
Balance at September 30, 2007	2,825,000	$ 0.29
Options exercisable at end of period	2,825,000	$ 0.29
Weighted average fair value of options granted during the period		$ -

The following table summarizes information about employee and consultant stock options outstanding at September 30, 2007:

Options Outstanding				Options Exercisable	
Range of Exercise Price	Number Outstanding at September 30, 2007	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at September 30, 2007	Weighted Average Exercise Price
$ 0.50	1,050,000	0.87	$ 0.50	1,050,000	$ 0.50
$ 0.20	425,000	2.25	0.20	425,000	0.20
$ 0.15	1,350,000	3.00	0.15	1,350,000	0.15
	2,825,000		$ 0.29	2,825,000	$ 0.29

As of September 30, 2007, there are no unrecognized compensation costs since all options granted under the stock option plans are completely vested.

NOTE 4 - STOCKHOLDERS' DEFICIT (continued)

Stock Warrants

A summary of the status of the Company's outstanding stock warrants as of September 30, 2007 and changes during the periods then ended is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2006	12,902,500	$ 0.48
Granted	-	-
Exercised	-	-
Forfeited	(1,000,000)	0.10
Balance at September 30, 2007	11,902,500	$ 0.50

Options exercisable at end of period	11,902,500	$ 0.50

The following information applies to all warrants outstanding at September 30, 2007:

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Price	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 1.00	4,100,000	0.87	$ 1.00	4,100,000	$ 1.00
$ 0.30	2,500,000	3.29	0.30	2,500,000	0.30
$ 0.20	5,302,500	2.48	0.20	5,302,500	0.20
	11,902,500		$ 0.50	11,902,500	$ 0.50

NOTE 5 - FOREIGN OPERATIONS

The Company identifies its operating segments based on its business activities and geographical locations. The Company operates within a single operating segment, being a provider of information network solutions specifically designed for healthcare providers and health insurance companies. The Company operates in Brazil, Mauritius, and has a registered mailing address in the United States of America. All of the Company's assets are located in Brazil.

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SEPTEMBER 30, 2007

NOTE 5 - FOREIGN OPERATIONS (continued)

	Nine months ended September 30, 2007	2006
Net revenues to unaffiliated customers:		
Brazil	$ 3,852,538	$ 3,131,832
Operating Expenses:		
Brazil	3,335,991	2,574,663
USA	533,953	1,036,568
Australia	-	2,408
Mauritius	28,945	70,894
	3,898,889	3,684,533
Income (loss) from operations	(46,351)	(552,701)
Other income (expenses) and income taxes:		
Brazil	(483,279)	(197,721)
USA	692,271	(1,867,246)
Australia	(9,799)	-
	199,193	(2,064,967)

Net income (loss) as reported	$ 152,842	$(2,617,668)

NOTE 6 - GOING CONCERN

Since inception, the Company has incurred cumulative net losses of $12,765,375, and has a stockholders' deficit of $3,369,129 at September 30, 2007 and a working capital deficit of $4,116,479. Since its inception, the Company has funded operations through debt and equity investments in order to meet its strategic objectives. The Company's future operations are dependent upon external funding and its ability to increase revenues and reduce expenses. Management believes that sufficient funding will be available from additional related party borrowings and private placements to meet its business objectives, including anticipated cash needs for working capital, for a reasonable period of time. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its software products and distribution networks. Further, since fiscal 2000, the Company has been deficient in the payment of Brazilian payroll taxes and Social Security taxes. At September 30, 2007, these deficiencies (including interest and fines) amounted to approximately $1,013,000. This payroll liability is included as part of the accounts payable and accrued expenses (short-term and long-term) within the consolidated balance sheet. As a result of the foregoing, there exists substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 7 - SUBSEQUENT EVENT

On October 7, 2007, Series A preferred stockholders converted 550 shares of Series A Preferred Stock into 1,250,000 shares of common stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

This report on Form 10-QSB contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements and from historical results of operations. Among the risks and uncertainties which could cause such a difference are those relating to our dependence upon certain key personnel, our ability to manage our growth, our success in implementing the business strategy, our success in arranging financing where required, and the risk of economic and market factors affecting us or our customers. Many of such risk factors are beyond the control of the Company and its management.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2006

For the nine months ended September 30, 2007, we generated $3,852,538 in revenues compared to $3,131,832 in revenues generated for the nine months ended September 30, 2006, (an increase of $720,706, or 23%). The increase in revenues is due to an increase in installations of our software and/or hardware devices containing our software at the healthcare providers' locations in Brazil. Upon installation, we begin the processing of applications submitted by healthcare providers for approval of patients for healthcare services from the insurance carrier. We charge for these services on a per transaction basis. We undertook 6.40 million "real time" transactions during the nine months ended September 30, 2007 compared to 5.80 million during the nine months ended September 30, 2006.

For the nine months ended September 30, 2007, we incurred operating expenses in the aggregate amount of $3,898,889 compared to $3,684,533 incurred during the nine months ended September 30, 2006, (an increase of $214,356, or 5.8%). The increase in operating expenses incurred for the nine months ended September 30, 2007 compared to operating expenses incurred during the nine months ended September 30, 2006 resulted from: (i) an increase of $329,837, or 27.2%, in cost of product support services; (ii) a decrease of $56,374, or 8%, in compensation and related benefits associated with our MedLink operations; (iii) a decrease of $62,959, or 39.5%, in professional fees relating to a decrease in legal and accounting costs associated with the filing of a registration statement on Form SB-2 in the 2006 period and a decrease in legal fees; (iv) a decrease of $99,056, or 25.9%, in management and consulting fees-related parties due to a decrease in the use of management and a director/consultant needed to handle our investment relations activities; (v) a decrease in investor relations of $209,863, or 88.2%, primarily resulting from recording stock-based consulting expense from the issuance of common stock and warrants to a consultant for investor relations services during the 2006 period amounting to $174,166 compared to $0 in the 2007 period; (vi) an increase of $213,013, or 26.2%, in general and administrative expenses resulting from an increase in operating costs associated with increased operations and increased travel expenses; and (vii) an increase in depreciation and amortization expense of $99,758, or 57.7%.

We reported a loss from operations of $46,351 for the nine months ended September 30, 2007 as compared to a loss from operations of $552,701 for the nine months ended September 30, 2006, a decrease of $506,350, or 91.6%. Although there can be no assurances, we anticipate that during fiscal year 2007, our ongoing marketing efforts and product roll-out will result in an increase in our net sales from those reported during fiscal year 2006. To support these increased sales, we anticipate that our operating expenses will also increase during fiscal year 2007 as compared to fiscal year 2006. We are, however, unable to predict at this time the amount of any such increase in operating expenses.

For the nine months ended September 30, 2007, we recorded other income in the aggregate of $344,655 as compared to other expenses of $2,064,967 incurred during the nine months ended September 30, 2006. The change in other income (expenses) for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 resulted from: (i) the recording of miscellaneous other income of $14,749 in fiscal 2007 due to the recording of certain employee tax and other tax credits due to us as compared other miscellaneous expenses of $32,660 in fiscal 2006; (ii) a decrease of $122,668, or 26.4%, in interest expense, which represents a decrease in interest incurred on our outstanding debt; (iii) the recording of a gain from derivative liabilities of $738,898 for the nine months ended September 30, 2007 as compared to a loss from derivative liabilities of $1,215,680 for the nine months ended September 30 ,2006, which relates to the revaluation of the embedded conversion feature and the related warrants issued in connection with our Series A Preferred Stock and debenture payable; (iv) a decrease of $153,671 to $-0- in debt settlement and offering costs, which relates to the issuance of warrants to the debenture holder and amortization of certain debt offering costs in the 2006 period; (v) an increase of $11,049, or 100%, in loss on foreign exchange; (vi) an increase in interest expense - related parties of $17,655, or 65%, due to the recording of loan fees of $12,756 pursuant to a note agreement with our CEO in the 2007 period; and (vii) a decrease in registration rights penalties of $160,000.

For the nine months ended September 30, 2007, we recorded income tax expense of $145,462 related to net earnings from the Medlink operations in Brazil as

compared to $0, a loss from operations incurred during the nine months ended September 30, 2006.

Our net income for the nine months ended September 30, 2007 was $152,842 compared to a net loss of $(2,617,668) for the nine months ended September 30, 2006.

For the nine months ended September 30, 2007, we recorded a deemed preferred stock dividend of $83,790 compared to $1,662,444 for the nine months ended September 30, 2006, which related to our Series A Preferred Stock. This non-cash item is related to the embedded conversion feature of those securities and the fair value of the warrants issued with those securities.

We reported net income available to common shareholders of $69,052 for the nine months ended September 30, 2007 as compared to a net loss attributable to common shareholders of $(4,280,112) for the nine months ended September 30, 2006. This translates to an overall basic and dilutive per-share loss available to shareholders of $0.00 and a per-share loss available to shareholders of $0.14 for the nine months ended September 30, 2007 and 2006, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2007, our current assets were $904,785 and our current liabilities were $5,021,264, which resulted in a working capital deficit of $4,116,479. As of September 30, 2007, our total assets were $2,112,254 consisting of: (i) $47,117 in cash; (ii) $306,720 in prepaid expenses and other current assets; (iii) $550,948 in accounts receivable; (iv) $406,048 in net software development costs; (v) $796,621 in net property and equipment; and (vi) $4,800 in other assets.

As of September 30, 2007, our total liabilities were $5,481,383 consisting of: (i) $2,532,443 in long-term and current portion of accounts payable and accrued expenses; (ii) $371,466 due to related parties; (iii) $233,328 in convertible loans and interest to related party; (iv) $276,945 in loans payable and interest due to related party; (v) $225,000 in convertible debentures payable; (vi) $441,677 in long-term and current portion of loans payable; (vii) $137,165 in warrant liability; and (viii) $1,263,359 in convertible features of the debentures derivative liability. As at September 30, 2007, our current liabilities were $5,021,264 compared to $5,087,019 at December 31, 2006, a decrease of $65,755, due primarily to the revaluation of warrant and convertible feature derivative liabilities offset by an increase in related party loans payable.

Stockholders' deficit decreased from $3,528,064 at December 31, 2006 to $3,369,129 at September 30, 2007 principally due to the Company's net earnings for the nine month period ended September 30, 2007.

For the nine months ended September 30, 2007, net cash flow provided by operating activities was $307,359 compared to net cash used in operating activities of $595,657 for the nine months ended September 30, 2006. The change in cash flows provided by or used in operating activities is principally due to a decrease in net losses for the nine months ended September 30, 2007 compared to the 2006 period. Additionally, during the nine months ended September 30, 2007, our accounts payable and accrued expenses have increased compared to the same period in 2006.

Net cash flows used in investing activities amounted to $291,122 for the nine

months ended September 30, 2007 compared to $449,297 for the nine months ended September 30, 2006. For the nine months ended September 30, 2007 and 2006, we capitalized software development costs and during the 2006 period, we acquired additional equipment for our hardware and software installations versus the 2007 period.

Net cash flows used in financing activities for the nine months ended September 30, 2007 were $45,205 compared to net cash provided by financing activities of $1,258,477 for the nine months ended September 30, 2006. During the nine months ended September 30, 2007, we received proceeds of $80,000 from related party loans and repaid third party loans of $125,205. During the nine months ended September 30, 2006, we received net proceeds from the sale of shares of Series A Preferred Stock of $1,223,734 and proceeds from loans in the amount of $136,032, offset by repayment of capital lease obligations of $16,289 and the repayment of related party loans of $85,000.

PLAN OF OPERATIONS

Since our inception, we have funded operations through debt and equity investments in order to meet our strategic objectives. Our future operations are dependent upon external funding and our ability to increase revenues and reduce expenses. Management believes that sufficient funding will be available from additional related party borrowings and private placements to meet our business objectives including anticipated cash needs for working capital, for a reasonable period of time. However, there can be no assurance that we will be able to obtain sufficient funds to continue the development of our software products and distribution networks.

Certain negative covenants in the Investment Agreement with Cornell could substantially impact our ability to raise funds from alternative sources in the future. For example, so long as any Series A Preferred Shares are outstanding, we shall not, without the prior written consent of Cornell (a) directly or indirectly consummate any merger, reorganization, restructuring, reverse stock split consolidation, sale of all or substantially all of our assets or any similar transaction or related transactions; (b) incur any indebtedness for borrowed money or become a guarantor or otherwise contingently liable for any such indebtedness except for trade payables or purchase money obligations incurred in the ordinary course of business; (c) file any other registration statements on any form (including but not limited to forms S-1, SB-2, S-3 and S-8); (d) issue or sell shares of common stock or preferred stock without consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to its issuance or issue any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock without consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to the issuance of such convertible security or (e) enter into any security instrument granting the holder a security interest in any and all of our assets.

Certain negative covenants in the Securities Purchase Agreement with Grimes could substantially affect our ability to raise funds from alternative sources in the future. For example, for as long as the convertible debenture remains outstanding and without the written consent of the debenture holder, we (a) shall not directly or indirectly consummate any merger, reorganization, restructuring, reverse stock split consolidation, sale of all or substantially all of our assets or any similar transaction or related transactions; (b) shall not issue or sell shares of common stock or preferred stock without

consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to its issuance or issue any warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock without consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to the issuance of such convertible security; (c) shall not enter into any security instrument granting the holder a security interest in any or all of our assets; (d) shall not file any registration statement on Form S-8 except we may file one registration statement on Form S-8 for up to 2,500,000 shares of common stock and provided however, anyone receiving shares pursuant to such permitted Form S-8 registration shall be restricted from selling such shares for a period of ninety (90) days after the registration statement becomes effective and (e) shall not, and shall cause each of its subsidiaries not to, enter into, amend, modify or supplement, or permit any subsidiary to enter into, amend, modify or supplement any agreement, transaction, commitment, or arrangement with any of its subsidiary's officers, directors, person who were officers or directors at any time during the previous two years, stockholders who beneficially own five percent (5%) or more of our common stock, or affiliates (as defined in the Securities Purchase Agreement) or with any individual related by blood, marriage, or adoption to any such individual or with any entity in which any such entity or individual owns a five percent (5%) or more beneficial interest, except for (i) customary employment arrangements and benefit programs on reasonable terms, (ii) any investment in one of our Affiliates, (iii) any agreement, transaction, commitment, or arrangement on an arms-length basis on terms no less favorable than terms which would have been obtainable from a person other than such related party and (iv) any agreement transaction, commitment, or arrangement which is approved by a majority of our disinterested directors.

As of the date of this Quarterly Report, there is substantial doubt regarding our ability to continue as a going concern as we have not generated sufficient cash flow to fund our business operations and material commitments. Our future success and viability, therefore, are dependent upon our ability to develop, provide and market our information network solutions to healthcare providers, health insurance companies and other end-users, and the continuing ability to generate capital financing. We are optimistic that we will be successful in our business operations and capital raising efforts; however, there can be no assurance that we will be successful in generating revenue or raising additional capital. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon us and our shareholders.

We anticipate an increase in operating expenses over the next three years to pay costs associated with such business operations. We may need to raise additional funds. We may finance these expenses with further issuances of our common stock. We believe that any anticipated private placements of equity capital and debt financing, if successful, may be adequate to fund our operations over the next twelve months. Thereafter, we expect we will need to raise additional capital to meet long-term operating requirements. If we raise additional funds through the issuance of equity or convertible debt securities other than to current shareholders, the percentage ownership of our current shareholders would be reduced, and such securities might have rights, preferences or privileges senior to our existing common stock. In addition, additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available, or are not available with acceptable terms, we may not be able to conduct our business operations successfully. This eventuality could significantly and materially restrict our overall business operations.

Based upon a twelve (12) month work plan proposed by management, it is anticipated that such a work plan would require approximately $1,000,000 to $3,000,000 of financing designed to fund various commitments and business operations

MATERIAL COMMITMENTS

CONVERTIBLE LOANS - RELATED PARTY

A significant material liability for us for fiscal year 2007 is the aggregate principal amount of $175,000 and $58,328 in accrued interest due and owing to a related party in accordance with two convertible promissory notes (collectively, the "Convertible Promissory Notes"). During March 2005, we modified the terms of the Convertible Promissory Notes. Accordingly, the Convertible Promissory Notes were due prior to June 30, 2007 and are convertible into shares of our common stock at $0.125 per share and upon conversion, a warrant per share to purchase our common stock at $0.25 per share for a period of two years. As of the date of this quarterly report, the balance of these loans and the related interest has not been paid. As of September 30, 2007 these loans are in default and are currently being renegotiated with the lender.

LOAN - RELATED PARTY

A significant material liability for us for fiscal year 2007 is the aggregate amount of $276,945 in principal and interest due and owing to Stephen Walters, our Chief Executive Officer (the "Loans"). The Loans are evidenced by a promissory note with interest rates of 9.6% to 12% per annum. Approximately $164,000 of this balance is repayable during March 2008. Additionally, during 2007, we borrowed $80,000 from Mr. Walters that is due on demand. As of the date of this report, the loans have not been repaid.

CONSULTING AGREEMENT

A significant and estimated material liability for us for fiscal year 2007 is the aggregate amount of $330,456 due and owing to Stephen Walters. In accordance with the terms of an agreement effective July 1, 2007, we pay monthly to Mr. Walters $17,500 as compensation for managerial and consulting services he provides.

ACCRUED TAXES AND RELATED EXPENSES

A significant and estimated material liability for us for fiscal year 2007 is the aggregate amount of approximately $1,013,000 due and owing for Brazilian payroll taxes and Social Security taxes.

Effective April 1, 2004, we entered into a payment program with the Brazilian authorities whereby the Social Security ("INSS") taxes due and applicable penalties and interests will be repaid over a period of up to sixty months. We continue to make periodic payments.

PURCHASE OF SIGNIFICANT EQUIPMENT

We do not intend to purchase any significant equipment during the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this quarterly report, we do not have any off-balance sheet arrangements that have or are reasonably like 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 that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS (continued)

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for Transax International Limited include the useful lives of property and equipment, accounting for stock based compensation, accounting for derivatives, and revenue recognition.

We review the carrying value of property and equipment for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by the comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

Under the criteria set forth in SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", capitalization of software development costs begins upon the establishment of technological feasibility of the software. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life, and changes in software and hardware technology. Capitalized software development costs are amortized utilizing the straight-line method over the estimated economic life of the software not to exceed three years. We regularly review the carrying value of software development assets and a loss is recognized when the unamortized costs are deemed unrecoverable based on the estimated cash flows to be generated from the applicable software.

Accounting for Stock Based Compensation - We use the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-Based Payments," which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No.123(R), stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). We adopted SFAS No. 123(R) using the modified prospective method.

Accounting for Derivatives - We evaluate our convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of

those contracts qualify as derivatives to be separately accounted for under Statement of Financial Accounting Standards 133 "Accounting for Derivative Instruments and Hedging Activities" and related interpretations including EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market at each balance sheet date and recorded as a liability.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (continued)

Revenue Recognition - Our revenues which do not require any significant production, modification or customization for the Company's targeted customers and do not have multiple elements, are recognized when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the Company's fee is fixed and determinable; and (4) collectibility is probable.

Substantially all of our revenues are derived from the processing of applications by healthcare providers for approval of patients for healthcare services from insurance carriers. Our software or hardware devices containing our software are installed at the healthcare provider's location. We offer transaction services to authorize and adjudicate identity of the patient and obtain "real time" approval for any necessary medical procedure from the insurance carrier. Our transaction-based solutions provide remote access for healthcare providers to connect with contracted insurance carriers. Transaction services are provided through contracts with insurance carriers and others, which specify the services to be utilized and the markets to be served. Our clients are charged for these services on a per transaction basis. Pricing varies depending on the type of transactions being processed under the terms of the contract for which services are provided. Transaction revenues are recognized in the period in which the transactions are performed.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("SFAS 109"). The interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this interpretation did not have an impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157), which provides guidance for how companies should measure fair value when required to use a fair value measurement for recognition or disclosure purposes under generally accepted accounting principle (GAAP). SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently assessing what effect, if any, the adoption of SFAS 157 will have on our financial statements.

In December 2006, FASB Staff Position, ("FSP"), EITF 00-19-2, "Accounting for Registration Payment Arrangements," was issued. The FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, "Accounting for Contingencies." We believe that our current accounting is consistent with the FSP. Accordingly, adoption of the FSP had no effect on our

financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115", under which entities will now be permitted to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS 157. We are currently assessing what effect, if any, the adoption of SFAS 159 will have on our financial statements.

ITEM 3. CONTROLS AND PROCEDURES

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, ("CEO"), and Chief Financial Officer, ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the "Evaluation"), under the supervision and with the participation of our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. The evaluation of our disclosure controls and procedures included a review of the disclosure controls' and procedures' objectives, design, implementation and the effect of the controls and procedures on the information generated for use in this report. In the course of our evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm the appropriate corrective actions, if any, including process improvements, were being undertaken. Our CEO and our CFO concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

Our management, including our CEO and CFO, do not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None

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

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submissions of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits

10.1 Management Consulting Services Agreement dated July 1, 2007 among Transax International Limited, Transax Limited, and Carlingford Investments Limited

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

TRANSAX INTERNATIONAL LIMITED

Date: November 19, 2007 By: /s/ Stephen Walters

Stephen Walters
Chief Executive Officer

Date: November 19, 2007 By: /s/ Adam Wasserman

Adam Wasserman
Principal Financial and
Accounting Officer