

**Auxellence Health Corporation**  
**(formerly 0294888 BC Ltd.)**

Consolidated Financial Statements

Year Ended June 30, 2013

(Expressed in Canadian dollars)

	Page
Independent Auditors' Report	2
Consolidated Statements of Financial Position	4
Consolidated Statements of Loss and Comprehensive Loss	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 23



**Cinnamon Jang Willoughby**

**Chartered Accountants**

*A Partnership of Incorporated Professionals*

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Auxellence Health Corporation:

We have audited the accompanying consolidated financial statements of Auxellence Health Corporation, which comprise the consolidated statements of financial position as at June 30, 2013 and 2012, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from the date of incorporation on July 20, 2011 to June 30, 2012 and for the year ended June 30, 2013 and the related notes including a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Auxellence Health Corporation as at June 30, 2012 and 2013, and the results of its operations, changes in shareholders' equity and cash flows for the period from the date of incorporation on July 20, 2011 to June 30, 2012 and for the year ended June 30, 2013 in accordance with International Financial Reporting Standards.

## Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*"Cinnamon Jang Willoughby"*

Chartered Accountants

Burnaby, BC  
October 28, 2013

**Auxellence Health Corporation**  
**(formerly 0924888 BC Ltd.)**  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	June 30, 2013	June 30, 2012
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash & cash equivalents	79,779	-
GST receivable	1,228	-
Loan receivable (Note 6)	2,625	-
	<b>83,632</b>	-
<b>Intangible properties (Note 3(j) &amp; Note 4)</b>	1,061,000	300,000
	<b>1,061,000</b>	<b>300,000</b>
<b>Total Assets</b>	<b>1,144,632</b>	<b>300,000</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable (Note 9)	5,785	534
Accrued liabilities	10,389	2,500
Investor deposits	-	250,000
	<b>16,174</b>	<b>253,034</b>
Loan payable (Note 6)	100,000	-
<b>Note payable (Note 6)</b>	148,500	-
	<b>248,500</b>	-
<b>Shareholders' Equity:</b>		
Capital stock (Note 5)	1,222,537	50,000
Deficit	(342,579)	(3,034)
	<b>879,958</b>	<b>46,966</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,144,632</b>	<b>300,000</b>

**Nature and Continuance of Operations (Note 1)**  
**Commitment (Note 4)**  
**Subsequent Event (Note 12)**

**Approved and authorized for issue by the Board of Directors on October 28, 2013:**

*"Sydney Au"*

Sydney Au, Director

*"Ron Ozols"*

Ron Ozols, Director

The accompanying notes are an integral part of these Consolidated Financial Statements

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)****Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian dollars)**

	<b>Year Ended June 30, 2013</b>	<b>From Incorporation Date on July 20, 2011 to June 30, 2012</b>
<b>Expenses</b>		
Advertising and promotion	\$ -	\$ 51
Bank charges	(3)	-
Consulting fees	9,750	-
Listing expenses (Note 2)	317,425	-
Professional fee	7,150	2,983
Transfer agent & filing fees	5,223	-
<b>Net loss and total comprehensive loss for the year</b>	<b>\$ 339,545</b>	<b>\$ 3,034</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.009)</b>	<b>\$ (0.001)</b>
<b>Weighted average number of common shares outstanding</b>	<b>36,831,142</b>	<b>2,205,202</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

**Auxellence Health Corporation**  
**(formerly 0924888 BC Ltd.)**

Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars except the number of shares)

	Number of Outstanding Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Share issued for cash on incorporation, July 20, 2011	1	1	—	—	1
Cancellation of incorporator share	(1)	(1)	—	—	(1)
Shares issued for cash	8,000,000	50,000	—	—	50,000
Net loss and comprehensive loss for the period	—	—	—	(3,034)	(3,034)
Balance, June 30, 2012	8,000,000	50,000	—	(3,034)	46,966
Shares issued for cash	23,860,000	870,000	—	—	870,000
De-recognition of C&C shares structures on reverse assets acquisition	(31,860,000)	—	—	—	—
Recognition of shares issued to C&C shareholders	39,825,000	—	—	—	—
Recognition of shares issued to Auxellence shareholders	1,512,684	302,537	—	—	302,537
Net loss and comprehensive loss for the year	—	—	—	(339,545)	(336,992)
Balance, June 30, 2013	41,337,684	1,222,537	—	(342,579)	882,511

The accompanying notes are an integral part of these Consolidated Financial Statements

**Auxellence Health Corporation**  
**(formerly 0924888 BC Ltd.)**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year Ended June 30, 2013	From Incorporation Date on July 20, 2011 to June 30, 2012
<b>Cash (used in) /provided by:</b>		
<b>Operating activities</b>		
<b>Net loss for the period</b>	<b>\$ (339,545)</b>	<b>\$ (3,034)</b>
Non-cash item:		
Listing expense	304,925	-
Change in non-cash working capital components		
GST receivable	(1,228)	-
Accounts payable & accrued liabilities	13,140	3,034
<b>Net cash provided by (used in) operating activities</b>	<b>(22,708)</b>	<b>-</b>
<b>Financing activities</b>		
Due to related party	148,500	-
Loan payable	100,000	-
Investors deposits	(250,000)	250,000
Share issuance for cash	867,612	50,000
<b>Net cash provided by financing activities</b>	<b>866,112</b>	<b>300,000</b>
<b>Investing activity</b>		
Loan receivable	(2,625)	-
Intangible properties	(761,000)	300,000
<b>Net cash used in investing activities</b>	<b>(763,625)</b>	<b>(300,000)</b>
<b>Change in cash</b>	<b>79,779</b>	<b>-</b>
<b>Cash, beginning of the period</b>	<b>-</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>\$ 79,779</b>	<b>\$ -</b>
<b>Cash paid during the period for interest expense</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Recognition of shares issued to Auxellence shareholders</b>	<b>\$ 302,537</b>	<b>\$ -</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

**Auxellence Health Corporation**  
**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Auxellence Health Corporation (the “Company” or “Auxellence”), formerly 0924888 BC Ltd. (“0924888BC”), was incorporated on November 9, 2011 under the laws of British Columbia, Canada. Its head office and registered office is located at 2922 Mt. Seymour Parkway, North Vancouver, BC, V7H 1E9. The Company is a reporting issuer in the province of British Columbia, Ontario and Alberta. The Company’s shares are currently listed for trading on Canadian National Stock Exchange (“CNSX”) under the symbol (“AID”).

On June 7, 2013, the Company acquired C&C Cosmeceuticals Corporation (“C&C”) through issuance of 39,825,000 of its common shares. The acquisition was accomplished through an exchange of shares which resulted in the former shareholders of C&C obtaining control of the Company. Accordingly, this transaction was recorded as a reverse assets acquisition for accounting purposes as C&C was deemed to be the acquirer and these consolidated financial statements are a continuation of the financial statements of C&C while the capital structure is that of the Company. The historical operations and assets and liabilities of C&C are included in the 2013 consolidated financial statements and the comparative figures as at and for the period ended June 30, 2012 are those of C&C (see Note 2).

C&C is a private British Columbia corporation incorporated on July 20, 2011 and its intended business operations originally are to market and to sell proprietary natural skincare cosmeceuticals products to consumers. On April 30<sup>th</sup>, 2012, C&C signed a licensing, development, collaboration, marketing and general servicing agreement (the “Agreement”) with Decanex Inc, (“Decanex”) of Toronto, Ontario. The Agreement states that Decanex owns certain proprietary systems, which includes an autonomous biomedical device and an expert software system with a recommender/Prescriptor engine. The Agreement grants the C&C the right to use the systems exclusively in Canada for weight management and skin care industry and non-exclusively world-wide. In order to provide the system for use by C&C, Decanex needs to customize the expert system software & Prescriptor engine to the weight management and skin care industry for C&C's use. The Agreement asks for total of \$1,200,000 engineering fee on delivery of the system and C&C shall pay a monthly maintenance fee to Decanex. In addition, Decanex will also be involved with revenue sharing with C&C based on how the company will derive its revenue. C&C’s principal business following the Agreement will be the development of the proposed business models.

C&C will provide fee based subscriptions to use the expert system and Prescriptor engine services to the consumer, which is an online software application. The general public will need to pay for usage of the autonomous biomedical device on either a per reading basis or on a monthly subscription basis. In addition, the device can also perform certain therapeutic conditionings which would also be available on a per use basis or on a monthly subscription basis. The device will measure certain physiological vital signs of a person and those reading results will be fed into the expert system for analysis. The Prescriptor engine will then provide weight management and skin care corrective recommendations/advice. These advice will refer consumers to various brands of Over The Counter (“OTC”) health products and therapeutic services that they can purchase without prescription. C&C will earn revenue from different suppliers by referring consumers to different OTC consumer health products. C&C will work with different manufacturers of these OTC products and earn a referral fee



# Auxellence Health Corporation

(formerly 0924888 BC Ltd.)

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

## 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

or revenue sharing from website sales. The expert system will simply provide customized weight management and skin care advice to each consumer based on results from the readings of the biomedical device after being analyzed by the expert system. C&C will initially derive revenue from three basic sources: monitoring physiological reading fees paid in relation to usage of the biomedical device, fees for therapeutic conditioning from the biomedical device, and referral fees/revenue sharing from various suppliers of OTC consumer health & natural products.

After the acquisition, the Company will adopt C&C's business models and the Company's financial success may be dependent upon the extent to which it can successfully develop and execute the business models and the economic viability of acquiring, or developing any such additional products or business models.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully commercialize the licensed proprietary health monitoring & therapeutic expert system and the economic viability of developing any additional products it may acquire in the future.

The commercialization of the licensed proprietary system may take many years to be in successful operation and the amount of resulting income, if any, is difficult to determine with any certainty. As a start-up company, the Company does not anticipate producing revenues for some time, other than from incidental revenue. On June 30, 2013 the Company had not yet achieved profitable operations, had recurring losses, a deficit of \$340,026 (2012 - \$3,034), a working capital deficiency of \$29,989 (2012 - \$253,034), and expects to incur further losses in the development of its business, all of which cast material uncertainty about the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. REVERSE ASSETS ACQUISITION

On June 7, 2013, pursuant to an amalgamation agreement dated May 21, 2013, Auxellence, C&C and the Company's wholly owned subsidiary 0961896 B.C. Ltd. completed a three-cornered amalgamation (the "Transaction") to acquire 100% ownership of C&C by issuing 39,825,000 common shares of the Company to the former common shareholders of C&C in exchange for C&C's 31,860,000 issued and outstanding common shares immediately before the Transaction. On completion of the Transaction, the former shareholders of C&C have 96.3% ownership interest of the Company and control the combined entity.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since Auxellence was a shell company whose activities, prior to the

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

**2. REVERSE ASSETS ACQUISITION (continued)**

acquisition, were limited to the management of cash resources and maintenance of its reporting issuer status and did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* ("IFRS 2") whereby C&C is deemed to have issued shares in exchange for the net assets of Auxellence together with its reporting issuer status at the fair value of the consideration received by C&C. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Auxellence, but are considered a continuation of the financial statements of the legal subsidiary, C&C.

(ii) Since C&C is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) As part of the completion of the reverse acquisition with Auxellence to facilitate the reporting issuer status of C&C, the original shareholders of Auxellence retained 1,512,684 common shares of the Company.

Since the share and share-based consideration allocated to the former shareholders of Auxellence on closing the reverse acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets of Auxellence acquired on closing was expensed in the consolidated statement of comprehensive loss as listing expense.

The share-based compensation of \$302,537 recorded as listing expense included the fair value of the 1,512,684 common shares retained by the former shareholders of Auxellence at \$0.20 per share. The \$0.20 value for the shares was based on the most recent effective financings completed by C&C prior to the reverse acquisition.

The fair value of the consideration given and resulting charge to listing expense comprised:

Fair value of share-based consideration allocated:	\$
Deemed issuance of 1,512,684 common shares	302,537
	<u>302,537</u>
Identifiable assets acquired and liabilities assumed:	
Cash	7
Non-cash assets received	(244)
Liabilities assumed	2,625
	<u>2,388</u>
Listing expense	<u>304,925</u>

## **Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company was incorporated on July 20, 2011. These financial statements are prepared in accordance and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary, C&C Cosmeceuticas Corporation (see Note 2). All inter-company transactions, balances, income and expenses have been eliminated in full on consolidation.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These consolidated financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value.

#### **a. Significant accounting judgments and estimates**

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include valuation of share-based transactions and provision for deferred income tax.

Judgments made by management that have the most significant effect on the financial statements are discussed in Notes 3d), 3e), 3f), 3i) and 3j).

#### **b. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. As at June 30, 2013, there is \$Nil (2012 - \$Nil) included as cash equivalents.

#### **c. Shared-based payments**

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****d. Deferred income taxes**

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

**e. Financial instruments**

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

**Financial instruments at fair value through profit or loss (FVTPL)**

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any impairment.

**Available-for-sale financial assets**

Available-for-sale are non-derivative financial assets that are designated as available-for-sale or that are not classified in any other financial asset categories. Subsequent to initial recognition, changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

## Auxellence Health Corporation

(formerly 0924888 BC Ltd.)

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e. Financial instruments (continued)

##### Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable, accrued liabilities, investor deposits, loan payable and note payable are classified as financial liabilities.

Transaction costs incurred on initial recognition of financial instruments classified as loans and receivables and other financial liabilities are included in the initial fair value amount.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Loan receivable	Loans and receivables
Accounts payable	Other liabilities
Accrued liabilities	Other liabilities
Investor deposits	Other liabilities
Loan payable	Other liabilities
Note payable	Other liabilities

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### f. Impairment

##### i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

**Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

f. Impairment (continued)

i) Non-financial assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

g. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income (loss) consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive

**Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

g. Comprehensive income (loss) (continued)

income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

h. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

i. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

j. Research and development costs

Research and development costs include direct salaries and benefits, administration, contracting, consulting and professional fees.

The Company recognizes expenditure on research activities as an expense in the period incurred. During the year ended June 30, 2012 and 2013, \$Nil was incurred on research activities.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

j. Research and development costs (continued)

The Company recognizes an internally-generated intangible asset arising from development (or from the development phase of an internal project) if, and only if, it has demonstrated all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount the Company initially recognizes for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets these recognition criteria. Subsequent to initial recognition, the Company reports these assets at cost less accumulated amortization and accumulated impairment losses.

The Company recognized the payments made to Decanex as Development Costs and amortization of the development costs is recognized over their useful lives, on the straight line basis over 10 years. The Company reviews the estimated useful life and amortization method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

k. Future changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2013 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, Financial Instruments, replaces the current standard IAS 39, Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its



**Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

k. Future changes in accounting policies (continued)

activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

l. Segment reporting

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which are subject to risks and rewards that are different from those of other segments. The Company considers its primary reporting format to be business segments. The Company considers that it has only one reportable segment, being providing health monitoring & therapeutic services to the consumer using a licensed proprietary expert system.

## **Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

### **4. COMMITMENT**

As described in note 1, C&C entered into a licensing, development, collaboration, marketing and general servicing agreement (the "Agreement") with Decanex Inc., ("Decanex") of Toronto, Ontario. Decanex will provide C&C with:

- an expert recommender system (Decanex Prescriptor) customized for natural and OTC health products, for the non-exclusive use of the customer worldwide and for the exclusive use of the customer in Canada; and
- a Autonomous Biomedical Care( ABC) Services, customized for general self-care, for the non-exclusive use of the Customer worldwide and for the exclusive use of the customer in Canada.

In return for the services rendered by Decanex above, C&C shall pay a total of \$1,200,000 engineering fee on delivery of the system. C&C shall make different advance payments to Decanex towards fulfillment of this engineering fee, as requested by Decanex from time to time in order for Decanex to complete the customization for the company. Upon delivery date and full payment for the development, customization and engineering fee, for the exclusive use of the Decanex Prescriptor and ABC Services, Decanex will confirm the monthly maintenance fee, which is estimated to be approximately \$95,000 per month. Any revenue sharing from the percentage split from the ABC Services and the Prescriptor services will be applied to the monthly maintenance fee.

Upon final marketing approval by Health Canada & the U.S. Food and Drug Administration, respective bonus payments of \$100,000 and \$250,000 shall be made by C&C to Decanex.

Upon C&C has reached sales in exceeding of \$1,000,000 from the commercialization of the above systems, another bonus payment of \$300,000 shall be made by C&C to Decanex.

The Agreement does not specify a specific term and it is expected that the Agreement is for an indefinite term. However, either party can terminate the Agreement by giving 90 days notice.

### **5. CAPITAL STOCK**

- a. Authorized: unlimited Common shares without par value; and  
unlimited Preferred shares without par value.
- b. Issued and Outstanding:

#### **C&C**

One common share was issued by C&C at \$1 per common share on July 20, 2011 to the incorporator. The incorporator share was cancelled on July 30, 2011.

On July 30, 2011, 1,000,000 common shares were issued by C&C at \$0.00625 per share for total proceeds of \$6,250. On April 30, 2012, an additional 7,000,000 common shares were issued at \$0.00625 per share for total proceed of \$43,750. These shares were issued as seed shares to the principals of C&C upon satisfaction of securing the Agreement with Decanex. These shares were considered as fully paid on May 2, 2012.

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

**5. CAPITAL STOCK (continued)****C&C**

During the year ended June 30, 2013, C&C received an additional \$461,000 advance from Sydney Au, the president and the sole director of C&C. Together with the \$250,000 investor deposit from Sydney Au as at June 30, 2012, the Company issued a total of 22,500,000 common shares at \$0.025 per share for proceeds of \$562,500. \$562,500 of advance and investor deposits from Sydney Au was used towards payment for subscription of these 22,500,000 shares with the remaining balance of \$148,500 recorded as loan payable to shareholders. On May 1, 2013, the Company converted this shareholder loan payable into an 18 month promissory note payable to Sydney Au (See Note 6).

On September 28<sup>th</sup>, 2012, C&C closed and issued a non-brokered private placement of 650,000 common shares at \$0.20 per share for proceeds of \$130,000. No finder's fee was paid on this private placement.

On December 31, 2012, C&C closed and issued a non-brokered private placement of 610,000 common shares at \$0.25 per share for proceeds of \$152,500. No finder's fee was paid on this private placement.

On June 3, 2013, C&C closed and issued a non-brokered private placement of 100,000 common shares at \$0.25 per share for proceeds of \$25,000. No finder's fee was paid on this private placement.

**Auxellence**

One common share was issued by the Company at \$1 per common share on November 9, 2011 to its former parent company, Haltain Developments Corp. ("Haltain"). The incorporator share was cancelled on May 21, 2013.

The Company issued 1,512,684 common shares to Haltain and Haltain re-distributed these shares to its shareholders as of the record date of May 13, 2013. The aggregate fair value of these shares in the amount of \$2,500 was based on the fair value estimates of assets transferred from Haltain to the Company. On May 21, 2013, Haltain transferred \$2,500 cash and assigned the C&C LOI valued at \$Nil to the Company.

On June 7, 2013, pursuant to an amalgamation agreement dated May 21, 2013, Auxellence, C&C and the Company's wholly owned subsidiary 0961896 B.C. Ltd. completed a three-cornered amalgamation (the "Transaction") to acquire 100% ownership of C&C by issuing 39,825,000 common shares of the Company to the former common shareholders of C&C in exchange for C&C's 31,860,000 issued and outstanding common shares immediately before the Transaction.

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**5. CAPITAL STOCK (continued)****Stock Options:**

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. As at and during the period ended June 30, 2013, no option was granted or outstanding.

**6. LOAN RECEIVABLE / NOTE PAYABLE / LOAN PAYABLE**

As of June 30, 2013, Haltain owed the Company and C&C a total of \$2,625 as a short term non-interest bearing loan with no fixed term of repayment and its amortized cost approximates its carrying value.

On May 1, 2013, C&C converted a shareholder loan payable to Sydney Au in the amount of \$148,500 into an 18 month promissory note payable (See Note 5 & Note 9). This promissory note is non-interest bearing and interest will, in like money, only be payable if required under income tax laws at the prescribed rate applicable by Canada Customs and Revenue Agency on the unpaid portion, from time to time, as well after as before maturity and both before and after default. This note payable is a related party payable and its amortized cost approximates its carrying value.

As of June 30, 2013, C&C also owed an external party a loan payable of \$100,000. This loan is non-interest bearing and has no fixed term of repayment and its amortized cost approximates its carrying value.

**7. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary health monitoring/therapeutic systems and the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

## **Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

### **8. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, loan receivable, accounts payable & accrued liabilities, investor deposits, note payable and loan payable. Cash is stated at fair value and classified within Level 1 of the fair value hierarchy. The fair values of loan receivable, accounts payable and accrued liabilities, investor deposits, note payable and loan payable approximate their carrying values due to their short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Strategic and operational risks are risks that arise if the Company fails to commercialize the licensed proprietary health monitoring/therapeutic systems. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

The Company's credit risk was primarily attributable to bank balances, HST receivable and loan receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. HST receivable is due from Canadian Government and management believes that the credit risk to be minimal. Loan receivable is due from Haltain which has been repaid to the Company subsequent to the year end.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2013, the Company had cash balance of \$79,779 (2012 - \$Nil) and current liabilities of \$113,494 (2012 - \$253,034). All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long term cash requirement.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. Accounts payable & accrued liabilities, investors deposits, note payable and loan payable are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

### **9. RELATED PARTY TRANSACTIONS**

As at June 30, 2013, accounts payable include \$51 (2012 - \$51) owing to Sydney Au, the president and the sole director of C&C. Investor deposits also include \$Nil (2012 - \$250,000) subscription made by Sydney Au. C&C also has an 18 month note payable to Sydney Au in the amount of \$148,500 as of June 30, 2013 (2012 - \$Nil) (See Note 6). During the period ended June 30, 2013 and 2012, the Company did not incur any management or consulting fees to its officers or directors.

These transactions above are in the normal course of operations and are measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

**Auxellence Health Corporation****(formerly 0924888 BC Ltd.)**

## Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

**10. SEGMENTED INFORMATION**

During the year ended June 30, 2013, the Company had one reportable operating segment, being the commercialization of the licensed proprietary health monitoring/therapeutic systems.

**11. INCOME TAXES**

The Company has accumulated non-capital losses expire as follows: Tax attributes are subject to revision and potential adjustment by tax authorities. The non-capital losses will expire as follows:

A reconciliation of income taxes at statutory rates is as follows:

	June 30, 2013	June 30, 2012
Loss for the period before income taxes	\$ (339,545)	\$ (3,034)
Expected income tax recovery at 25% (2012 - 25.75%)	(84,886)	(781)
Tax effects of:		
Item not deductible	76,231	-
Change in statutory tax rate	(425)	22
Net liabilities assumed from reverse asset acquisition	(597)	-
Change in unrecognized deferred income tax assets	9,677	759
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred income tax assets are as follows:

	June 30, 2013	June 30, 2012
Substantively enacted tax rate	26%	25%
Deferred income tax assets:		
Non-capital losses	\$ 286,921	\$ 75,759
Deferred development costs	(275,860)	(75,000)
Valuation allowance from Auxellence	(625)	-
Valuation allowance	(10,436)	(759)
Net deferred income tax assets	\$ -	\$ -

As at June 30, 2013, the Company had non-capital losses carried forward of approximately \$1,079,950 which may be utilized to reduce future years' taxable income and expire through to 2033 if not utilized.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized.

**Auxellence Health Corporation**

**(formerly 0924888 BC Ltd.)**

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in Canadian dollars)

---

**12. SUBSEQUENT EVENT**

Subsequent to the year end:

- (a) The Company announced a private placement on July 16<sup>th</sup>, 2013, for a financing of \$100,000 at a price of \$0.20 per share.
- (b) On July 19<sup>th</sup>, 2013, the Company announced a grant of stock options to two consultants for 500,000 shares, 350,000 options exercisable at \$0.25 until July 19, 2015 and 150,000 options exercisable at \$0.50 until July 19, 2015. These options are granted to consultants conducting Investor Relations Activities, which must vest in stages over a 12 month period, with no more than 25% of the shares vesting in any three month period.
- (c) On October 3<sup>rd</sup>, 2013, the Company announced it was in negotiations with lenders to the company to convert their debt into a convertible debt at the same price as the private placement of \$0.20.