

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

**FORM 51-102F1**

**Date and Subject of Report**

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Auxellence Health Corporation (formerly 0924888 BC Ltd. or "0924888BC")) ("Auxellence" or the "Company") for the year ended June 30, 2014. The MD&A should be read in conjunction with the financial statements for the year ended June 30, 2014. The MD&A has been prepared effective October 28, 2014.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of Auxellence (formerly 0924888BC), which was incorporated on November 9, 2011, under the laws of the Province of British Columbia. The Company's head office is located at 2922 Mt. Seymour Pky, North Vancouver, BC, V7H 1E9. The Company reports its financial results in Canadian dollars and under IFRS. As a result of a recently completed Plan of Arrangement, it acquired a Letter of Intent to merge with C&C Cosmeceuticals Corporation ("C&C") through a business combination (the "C&C LOI").

**FORWARD LOOKING STATEMENTS**

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

**Trends**

Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

## **General Development and Auxellence's (formerly 0924888BC) & C&C's Business**

Auxellence (formerly 0924888BC) was incorporated in British Columbia on November 9, 2011 as a wholly-owned subsidiary of a reporting issuer, Haltain Developments Corp. The Company has not yet commenced commercial operations as of June 30 2014. During 2012, Haltain obtained final court approval to complete a plan of arrangement (the "**Arrangement**") pursuant to Division 5 of Part 9 of the Business Corporation Act (British Columbia) with its wholly-owned subsidiary Auxellence (formerly 0924888BC). Under the Arrangement, the Company is to acquire \$2,500 and all of Haltain's interest in an agreement to merge with C&C through a business combination, in exchange for common shares (the "**Auxellence (formerly 0924888BC) Shares**") of the Company, which Auxellence (formerly 0924888BC) Shares are to be distributed to Haltain shareholders pursuant to the Arrangement. On closing of the Arrangement, each Haltain shareholder, as of the share distribution record date received one new common share in the capital of Haltain (the "**New Haltain Shares**") and its *pro-rata* share of the Auxellence (formerly 0924888BC) Shares as distributed under the Arrangement for each Haltain common share (the "**Haltain Shares**") held by such person at the share distribution record date (determined to be as of May 13, 2013).

On May 21, 2013, the Company acquired the C&C LOI and \$2,500 from Haltain as part of the Arrangement. The Company has not commenced any commercial operations other than acquiring the C&C LOI from Haltain.

On completion of the Arrangement, the Company became a reporting issuer in the province of British Columbia, Alberta, and Ontario, the shareholders of which are the holders of Haltain Shares as of the share distribution record date.

The Company was formed as a consumer marketing company to sell proprietary natural skincare cosmeceuticals products through the development of the proposed business combination with C&C Cosmeceuticals Corporation. The business has taken on a larger scope as C&C has modified its focus to that of a consumer health technology company providing high-level online personal health solutions to customers of OTC (Over-The-Counter) consumer health products and services in the skincare (acne) and weight management sectors. The company is integrating innovative "thera"peutic and diag"nostic" (theranostic) devices along with an Interactive expert system and recommender "PRESCRIPTOR" engine to provide a personalized system of diagnostic procedures for unique health "solutions" customized to each consumer. This technology was initially geared towards selling proprietary formulations of natural skin health and therapeutic products; however, the business model has expanded to provide an unbiased and independent recommendation of "any" and "all" manufacturer's products that are submitted to be included and evaluated to be potentially recommended by the company's system. All recommendations will be custom tailored based on that consumer's physiology. The Company may also acquire additional licenses to other skincare or consumer health technologies, products and services. Accordingly, the Company's financial success may be dependent upon the extent to which it can develop its skincare cosmeceutical and consumer weight management health technologies, products and services, and the economic viability of acquiring, or developing any such additional product or service offerings. The Company is still in the startup phase and has not begun commercialization.

Auxellence (formerly 0924888BC), after combining with C&C, will be operating as a consumer health technology company providing high-level online personal health solutions to customers of OTC (Over-The-Counter) consumer health products and services in the skincare (acne) and weight management sectors. Accordingly, Auxellence's (formerly 0924888BC) financial

success may be dependent upon the extent to which it can develop its business objectives and the economic viability of commercializing any such technologies and additional opportunities.

On May 21, 2013, the Company entered into a definitive acquisition agreement with C&C Cosmeceutical Corp. ("C&C") such that C&C will amalgamate with a wholly owned subsidiary of the Company, 0961896 BC Ltd., and form a New Co in exchange for 100% shares of C&C. Each common share of C&C will exchange for 1.25 common share of the Company. The Company's subsidiary completed the amalgamation with C&C on June 19, 2013 and formed a New Co as a wholly owned subsidiary of the Company. A total of 39,825,000 common shares of the Company have been issued to shareholders of C&C to complete the acquisition. On June 19, 2013, the Company's common shares have been approved for listing on Canadian National Stock Exchange ("CNSX") and the Company's common shares have commenced trading on June 20, 2013 under the symbol ("AID").

The company has subsequently assumed the year end of June 30<sup>th</sup> and had closed a private placement of \$208,000 for common shares at \$0.20 and a convertible debenture of \$388,500 convertible at \$0.20 on November 5<sup>th</sup>, 2013. The 500,000 options as of the press release dated July 19<sup>th</sup>, 2013 were all cancelled December 31, 2013. In addition, 375,000 options at \$0.20 were granted on January 22, 2014 and subsequently cancelled on March 31, 2014.

On April 21, 2014, the Company announced a non-brokered private placement for shares at \$.15 per common share which was subsequently re-priced on May 6<sup>th</sup>, 2014 to \$0.10. On August 22, 2014, the non-brokered private placement was then re-priced to \$.05 per unit (exchangeable into one common share and one warrant redeemable for a common share at \$.10). At this time all outstanding cash loans advanced to the company were substantially settled. On April 24, 2014 the company signed a Letter of Intent to enter into a Plan of Arrangement and on May 13<sup>th</sup>, 2014, the Company announced it had signed 3 additional Letters of Intent to enter into the Plan of Arrangement. On May 26<sup>th</sup>, 2014 the Company announced signing a Letter of Intent to acquire the Intellectual Property underlying its licensed personal health management system for weight management and skin conditions. On May 28<sup>th</sup>, 2014 the Company announced it had signed an agreement with a private venture capital firm for financing and business strategy development.

On July 18<sup>th</sup>, 2014, the company set the share record distribution date for the plan of arrangement that was successfully approved. On August 13, 2014, the Company signed the Intellectual Property (IP) Acquisition Agreement to acquire the IP underlying its licensed personal health management system for weight management and skin conditions, (subject to certain terms and conditions). On August 19, 2014, the Company announced that it had reached an agreement with the creditors to cancel the Convertibility of the Debt. On August 22, 2014, the Company announced signing a USA Distribution Agreement and Plan of Arrangement. On August 26, 2014 the Company announced that it signed a new General Service Agreement (GSA) for R&D and Operations Framework. On August 26<sup>th</sup>, 2014 the Company announced that it negotiated with its cash lenders to subscribe and effectively close the private placement. On September 3<sup>rd</sup>, 2014 the Company announced the closing and details of the private placement which was closed on September 2<sup>nd</sup>, 2014. On September 21, 2014 the Company announced 4 early warning reports that resulted from persons participating in the private placement and the

shares issued for the IP acquisition. On September 26<sup>th</sup>, 2014 the Company's medical device manufacturer received market clearances for sales in Canada and the European Union. On September 29<sup>th</sup>, 2014, the Company confirms the company's medical device manufacturer received market clearances and Health Canada and CE Mark Certifications. On October 1<sup>st</sup>, 2014 the Company announces the initial release for a Pioneer edition of the TULIP<sup>TM</sup> system. On October 2<sup>nd</sup>, 2014 the Company announces it is considering a USA Dual Listing. On October 6<sup>th</sup>, 2014 the Company announced a larger commercial release and the TULIP<sup>TM</sup> pre-order availability.

### **C&C's Business History**

On April 30, 2013, the Company entered into a licensing, development, , marketing and general servicing agreement (the "Agreement") with Decanex Inc., ("Decanex") of Toronto, Ontario. Decanex will provide the company 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, the Company shall pay a total of \$1,200,000 engineering fee on delivery of the system. The Company 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.

C&C, after combining with 0924888BC, C&C, will be operating as a health technology company providing high-level online personal health solutions to customers of OTC (Over-The-Counter) consumer health products and services in the skincare (acne) and weight management sectors. Accordingly, C&C's financial success may be dependent upon the extent to which it can develop its business objectives and the economic viability of commercializing any such technologies and additional opportunities.

### **RESULTS OF OPERATIONS**

During the year ended June 30, 2014, the Company incurred a net loss of \$54,463 compared to \$339,545 in the prior comparable year. The significant decrease is primarily attributed to a reverse acquisition listing expense incurred in the prior comparable period not recurring in the current period. Offsetting the drop in overall net loss from previous comparable year, is a finance charge incurred in the current year relating to accretive activity relating to financial instruments. In addition office and overhead costs increased due to a ramp up of in-house activity. Transfer agent fees increased due to increased treasury activity during the year. .

During the year ended June 30, 2013, the Company had completed a three-cornered amalgamation with C&C. The Company has been active in raising funds to finance the building and customization of the

expert system and theranostic device development to be used in the Company's business. As of the date of this discussion, the Company had issued 41,337,684 common shares to its shareholders as of record date of June 30, 2013. During the period ended June 30, 2013, the Company accrued \$6,000 as audit fees, \$1,000 as professional fees and incurred \$9,750 as other consulting expenses. There was no other expense incurred by the Company during this period.

During the year ended June 30, 2012, the Company was inactive and incurred \$3,034 in expenses comprising mainly professional fees.

## SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with IFRS, is derived from the Company's financial statements. These sums are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

	Year ended		
	June 30, 2014	June 30, 2013	June 30, 2012
Total Revenue	\$ -	\$ -	\$ -
Interest income	-	-	-
Expenses	54,463	339,545	3,034
Net loss	(54,463)	(339,545)	(3,034)
Total assets	2,080,283	1,144,632	-
Total long-term liabilities	-	248,500	-
Net loss per share (basic and diluted)	(0.001)	(0.009)	(0.001)

## SELECTED QUARTERLY INFORMATION

The following table summarized the results of operations for the four eight recent quarters.

	Jun. 30, 2013	Mar. 30, 2013	Dec. 31, 2013	Sep. 30, 2013
Total Revenue	\$ -	\$ -	\$ -	\$ -
Net Loss	(331,267)	(17)	(4,747)	(3,514)
Net Loss Per Share (basic and diluted)	(0.01)	(0.00)	(0.00)	0.00

		Jun. 30, 2014	Mar. 30, 2014	Dec. 31, 2014	Sep. 30, 2014
Total Revenue	\$	-	\$ -	\$ -	-
Net Profit or Loss		3,994	(12,834)	(12,883)	(32,740)
Net Profit (Loss) Per Share (basic and diluted)		0.01	(0.00)	(0.00)	(0.00)

## LIQUIDITY

- (a) The Company is a start-up health technology company and therefore has no regular source of income, other than interest income it may earn on funds invested in short-term deposits. As a result, its ability to conduct operations, including the development of its website and customization of health technologies and the evaluation and acquisition of additional health technologies, is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so.

The Company needs to complete payments of the engineering fee to Decanex and complete regulatory approvals prior to commencement of the commercialization of its business.

- (b) Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.
- (c) The Company does not currently have any liquidity risks associated with financial instruments.
- (d) The Company is expected to have a working capital deficiency if it does not complete the proposed financing. The Company expects to meet its liquidity need through additional equity or debt financing(s).
- (e) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (f) The Company, Auxellence has one subsidiary C&C Cosmeceuticals Corp.
- (g) There are currently no defaults or arrears by the Company on:
- (i) dividend payments, lease payments, interest or principal payment on debt;
  - (ii) debt covenants; and
  - (iii) redemption or retraction or sinking fund payments.
- (h) The Company's working capital deficit was \$972,312 as at June 30, 2014 (June 30, 2013 – \$67,458).

- (i) On November 5, 2013, the Company issued \$388,500 of convertible debt that has a term of one year which is non-interest bearing with conversion feature at \$0.20 per common share (Note 13). The holders of this debt may, within the specified time period, convert their debt at their discretion. The company has the right to force conversion of this debt after four months from the beginning of the debt.

At June 30, 2014 \$388,500 (June 30, 2013 - \$Nil) of the convertible debt remained outstanding at a carrying value of \$374,017 (June 30, 2013 - \$Nil) for the debt component and \$41,625 (June 30, 2013 - \$Nil) for the equity component.

## **CAPITAL RESOURCES**

- (a) There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.
- (b) The Company announced that on January 22<sup>nd</sup>, 2014 that it issued 375,000 stock options at a price of \$0.20 which was subsequently cancelled on March 31, 2014.
- (c) The Company announced on April 21, 2014 a non-brokered private placement for shares at \$.15 per common share, which was subsequently re-priced to \$0.10 on May 6, 2014 and subsequently re-priced to \$0.05 per unit, exchangeable into one common share and one full share purchase warrant at \$.10. The private placement had not closed as at June 30, 2014.

## **FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

### **FINANCIAL AND CAPITAL RISK MANAGEMENT**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, liquidity risk, interest rate risk, and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### **a. Capital management**

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.

b. Credit risk

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.

c. Liquidity risk

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, 2014, the Company had cash balance of \$17,804 (June 30, 2013 - \$79,779) and current liabilities of \$1,005,164 (June 30, 2013 - \$16,174). 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.

d. Interest rate risk

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.

e. Currency risk

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, convertible debts, note payable and loans payable are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at June 30, 2014, the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

The Company has announced signing 4 letters of intent to enter into a Plan of Arrangement. In addition the company has announced signing a letter of intent to acquire the underlying



intellectual property of the Company's licensed personal health management system for weight management and skin conditions. These transactions have not yet completed.

## TRANSACTIONS WITH RELATED PARTIES

### Transactions with management

During the year ended June 30, 2014 the remuneration of the Company's key management are as follows:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Consulting fees	\$ 750	\$ -

As at June 30, 2014, accounts payable include \$2,784 (June 30, 2013 - \$51) owing a director of the Company.

As at June 30, 2014, notes payable included \$Nil (June 30, 2013 - \$148,500) (see Note 7) owing to a director of the company.

As at June 30, 2014, included in loans payable \$134,000 (June 30, 2013 - \$Nil) (See Note 7) owing to a director of the Company and a Company with directors in common.

As at June 30, 2014, included in convertible debt \$258,500 (June 30, 2013 - \$Nil) (See Note 7) owing to a director of the Company and a Company with directors in common.

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.

## OUTSTANDING SHARE DATA

Authorized:                unlimited common shares without par value  
                                   unlimited preferred shares without par value

Issued and Outstanding as at October 28, 2014:

	Number of Shares	Amount (\$)
<b>Balance, June 30, 2013</b>	41,337,684	1,222,537
<b>Shares issued for cash November 5, 2013</b>	1,040,000	208,000
<b>Balance, June 30, 2014</b>	<b>42,377,684</b>	<b>1,430,537</b>

The Company subsequently issued 40,000,000 shares for the intellectual property on August 18<sup>th</sup>, 2014 and subsequently closed on an equity financing on September 2<sup>nd</sup>, 2014 and issued 23,001,600 shares and 23,001,600 warrants for \$1,150,080 and now has 105,379,284 common shares outstanding and 23,001,600 warrants outstanding

### Stock Options:

The Company has adopted an incentive stock option plan (the "Option Plan") upon successfully completing the listing of its common shares for trading on Canadian National Stock Exchange (CNSX) now known as the Canadian Securities Exchange (CSE). The Option Plan provides the Board of Directors of the Company to be able to 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.

As at date of this discussion, the Company had cancelled the previously issued 500,000 stock options as well as the previously issued 375,000 stock options announced on January 22, 2014, leaving no stock options issued or outstanding.

### CONTINGENCIES

Except for the commitments mentioned in Liquidity subsection (b), there is no other contingency outstanding as of date of this discussion.

### SUBSEQUENT EVENTS

- (a) On July 24, 2014, the Company signed a General Service Agreement (See Note 13) which has a term of five years which requires the payment of \$95,000 per month for a period of 24 months for research and development
- (b) On August 18, 2014, the Company issued 40,000,000 for intellectual property.
- (c) Between the period from July 1, 2014 to September 2, 2014, the Company received net proceeds on unsecured debt of \$155,379, which was non-interest bearing, and has no fixed term of repayment. This debt was converted to common shares on September 3, 2014.
- (d) On September 3, 2014, the Company reached agreements with all loan holders (the "Lenders") for repayment of an aggregate total of \$ 1,158,000 of loans by issuance of 23,001,600 common shares of the Company (\$0.20/share) with the following details:

Lender	Number of shares issued	Relationship
1 (i)	2,001,600	This lender was a related party lender as at June 30, 2014 and September 3, 2014.
2	610,000	This lender was not a related party lender as at June 30, 2014 and September 3, 2014.
3	200,000	This lender was not a related party lender as at June 30, 2014 and September 3, 2014.

4	3,900,000	This lender was not a related party lender as at June 30, 2014 and September 3, 2014.
5	700,000	This lender was not a related party lender as at June 30, 2014 and September 3, 2014.
6	6,530,000	After the receipt of this issuance, this lender owned more than 10% of the Company's outstanding shares and became a related party to the Company on September 3, 2014.
7	600,000	This lender was not a related party lender as at June 30, 2014 and September 3, 2014.
8	2,680,000	After the receipt of this issuance, this lender owned more than 10% of the Company's outstanding shares and became a related party to the Company on September 3, 2014.
9 (ii)	2,680,000	This lender was a related party lender as at June 30, 2014 and September 3, 2014.
10	3,100,000	This lender is a close family member of a shareholder that owns more than 10% of the Company's outstanding shares and became a related party to the Company on September 3, 2014.

(i) The amount of the loan and convertible debt owing to lender #1 was \$60,000 and \$20,000 respectively on June 30, 2014.

(ii) The amount of the loan and convertible debt owing to lender #1 was \$60,000 and \$20,000 respectively on June 30, 2014

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Company was incorporated on November 9, 2011 and the subsidiary C&C Cosmeceuticals Corp. was incorporated on July 20, 2011. Accordingly, these financial statements are prepared in accordance and 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").

The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

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

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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 to the financial statement December 31, 2013 3d), 3e), 3f), 3i) and 3(j).

### **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, 2014, there is \$17,804 (2013 - \$79,779) included as cash.

### **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.

### **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 assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired:

- measured at amortized cost
- measured at fair value

The classification is determined at initial recognition and depends on the company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value unless it is measured at amortized cost. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss.

A financial assets is classified as held for trading if it is acquired for the purpose of selling it in the near term.

Financial liabilities are classified into one of the following categories:

- financial liabilities measured at amortized cost using effective interest method
- financial liabilities at fair value through profit or loss
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate

The Company can reclassify all affected financial assets only when it changes its business model for managing financial assets. The Company cannot reclassify any financial liability.

A financial asset is derecognized:

- when the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", "financial liabilities at fair value through profit or loss", or "other financial liabilities".

The Company's financial instruments are classified and subsequently measured as follows:

<b>Asset / Liability</b>	<b>Classification</b>	<b>Subsequent measurement</b>
Cash and cash equivalents	Fair value through profit or loss	Fair Value
Loan receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Client deposits	Other financial liabilities	Amortized cost
Convertible debt	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Option component of convertible debt	Fair value through profit or loss	Fair Value
Derivative	Fair value through profit or loss	Fair Value

Financial assets and liabilities classified as fair value through profit and loss are measured at fair value with changes in those fair values recognized in net earnings.

Convertible debt, under which the Company has the right to settle all or part of the instrument in cash on the conversion date, are classified as a financial liability with an embedded derivative. The debt component of the convertible debt is presented on the Consolidated Statement of Financial Position and is initially recognized as the difference between the fair value of the financial instrument as a whole and the fair value of the embedded derivative.

The debt component is subsequently recognized at amortized cost using the effective interest rate method. The embedded derivative represents the conversion feature (option

component, see Note 7) and is classified as a financial liability through profit and loss. The embedded derivative is subsequently recognized at fair value with changes in fair value recognized in net loss.

#### *Effective interest method*

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

#### f. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.



The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

g. Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. Reviews are undertaken on an asset-by-asset basis.

If the carrying amount of a non-financial asset exceeds the recoverable amount, being the higher of its fair value less costs to sell and its value-in-use, an impairment loss is recognized in net earnings as the excess of the carrying amount over the recoverable amount.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine or production plans. The mine plan is the basis for forecasting production output in each future year and for forecasting production costs. For value-in-use calculations, production costs and output in the mine plan may be revised to

reflect the continued use of the asset in its present form.

Non-financial assets that have suffered an impairment are tested for a possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. In these instances, the impairment loss is reversed to the recoverable amount but not beyond the carrying amount, net of amortization, that would have arisen if the prior impairment loss had not been recognized. Goodwill impairments are not reversed.

#### h. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

#### i. Comprehensive loss

Comprehensive 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 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 loss measures net earnings for the period plus other comprehensive loss. Amounts reported as other

#### h. Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting

period. Diluted (loss) per share is computed similar to basic 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 period ended December 31, 2013, \$Nil was incurred on research activities.

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 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.

1. 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 the consumer health products and services segment.

## **RISKS AND UNCERTAINTIES**

### Health Technology Industry

The health technology industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the development of a technology may result in substantial rewards, marketing will also play a significant role in developing the company and its level of success. Major expenses may be required to establish the technology to be accepted in the marketplace. It is impossible to ensure that the current technologies and market strategy planned by the Company will result in a profitable commercial sales. Whether the company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the technology is geared toward and the existing infrastructure, as well as competitors strategies and market factors. Some of these are cyclical and government regulations, including regulations relating to medical devices and consumer health products.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Health technology operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the health industry and the high technology industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

Some of these risks include the following:

The company is largely dependent on the success of its website which has not yet launched and management cannot be certain that its website will be successfully commercialized.

The company currently has no products for sale and cannot guarantee that it will ever have marketable products or services. The company plans to launch its website once it has obtained sufficient channel partners to offer appropriate specialized customization for OTC health products and services.

Risks in design, development and manufacture of a consumer health product which may have an adverse affect on a person's health.

If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved products are not commercially successful, the company's business, financial condition, and results of operations may be materially harmed

The Issuer's product candidates may never achieve market acceptance even if the company obtains regulatory approvals.

The Company's activities are directed towards the skincare (acne) and weight management sectors of the consumer health industry. There is no certainty that any expenditures to be made by the Company as described herein will result in market acceptance of the company's product or service offerings. There is aggressive competition within the skincare health (acne) and weight management marketplace. The Company will compete with other interests, many of which have greater financial resources than it will have for marketing towards target consumers. Significant capital investment is required to achieve commercialization from the current start-up and development stage of the company.

#### Government Regulation

The consumer health products industry is subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters. Regulatory approvals by

government agencies on the Company's products or may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

#### Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the company heavily relies on the company officers.

#### Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

#### Negative Operating Cash Flows

As the Company is at the early stage start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

#### Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

#### Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

#### Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

#### Uncertainty Regarding Penetration of the Target Market

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the medical community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer and health practitioner's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner.

In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's products and services will be accepted and recommended.

#### Competition, Technological Obsolescence

The consumer health products industry for skincare and weight management is competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and product offerings to become obsolete or may reduce their market acceptance.

#### Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.



### Reliance on Joint Ventures, Licence Assignors and Other Parties

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, medical facilities, and medical equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

### Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

### Regulatory Risks

Health technologies used by the Company are subject to a number of technological challenges and requirements, and can be subject to the regulations and standards imposed by applicable regulatory agencies. There can be no assurance that the Company will be able to comply with all regulations concerning its businesses.

### Potential Liability

The Company is subject to the risk of potential liability claims with respect to its diagnostic and therapeutic solutions. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

## **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

During the period ended June 30, 2014, there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for the year ended June 30, 2014 (together the "Annual Audited Filings").

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim or Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Officers and Directors**

Sydney Au	President, CEO & Director
Faisal Manji	CFO & Director
Ron Ozols	Director (Independent)

## **Contact Address:**

Auxellence Health Corporation  
2922 Mt. Seymour Pkwy  
North Vancouver, BC  
V7H 1E9