

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE PERIOD ENDED December 31, 2015**

**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 period ended December 31, 2015. The MD&A should be read in conjunction with the consolidated financial statements for the period ended December 31, 2015. The MD&A has been prepared effective February 26, 2016.

**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 #701-675 West Hastings, Street, Vancouver, BC, V6B 1N2. The Company reports its financial results in Canadian dollars and under IFRS. As a result of a 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 AUXELLENCES (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 December 31, 2015. 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 \$0.15 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™ 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™ pre-order availability. On January 28, 2015, the company announced that it is reviewing listing securities and debt on International exchanges such as the Frankfurt and the China Beijing Exchange, in addition to a US Market Exchange.

## **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
- an 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 period ended December 31, 2015, the Company had a net loss of \$(25,291) compared to a net loss of \$(21,905) in the prior quarter. The change is primarily attributed to the company paying for legal expenses and advertising to increase market awareness for the company. In addition, office, overhead, and in especially legal costs increased due to a ramp up of in-house activity and the review and successful quotation and/or listing on the OTCQB Marketplace of the OTC Markets Group. The company has also announced that it is reviewing listings for other exchanges to increase company visibility.

The Company had received shareholder and court approval for the Plan of Arrangement and is still completing the Arrangement. The Company has also 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 105,379,284 common shares to its shareholders. The Company had previously accrued \$6,000 as audit fees. There was no other expense incurred by the Company during this period.

## 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)		
	December 31, 2015	June 30, 2015	June 30, 2014
Total Revenue	\$ -	\$ -	\$ -
Other income	-	-	-
Interest income	-	-	-
Expenses	37,386	411,467	54,463
Net Loss	25,291	277,981	54,463
Total assets	3,815,637	3,598,570	2,080,283
Total long-term liabilities	-	-	-
Net loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)

## SELECTED QUARTERLY INFORMATION

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

	December 31, 2015	September 30, 2015	June, 30, 2014	Mar. 30, 2014
Total Revenue	\$ -	\$ -	\$ -	\$ -
Net Profit (Loss)	(25,291)	(8,433)	(12,834)	(12,834)
Net Profit (Loss) Per Share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

  

	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2015	Mar 31, 2015
Total Revenue	\$ -	\$ -	\$ 31,429	\$ -
Net Profit (Loss)	(12,883)	(32,740)	(222,830)	(58,252)
Net Profit (Loss) Per Share (basic and diluted)	(0.00)	(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 \$717,338 as at December 31, 2015 (June 30, 2015 working capital deficit was \$397,042).
- (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 8). 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.

An equity component of the debt, which is accounted for as an embedded derivative, of \$41,625 has been reduced from the carrying value of the convertible debt at inception and

recorded in shareholders' equity. The option component of this debt is re-measured at fair value at each reporting period. During the year ended June 30, 2014 the carrying value of this convertible debt has been accreted up to \$374,017 and the Company recorded finance charges of \$27,142.

On August 19th, 2014 the convertibility feature of all convertible debt was exercised and became equity. As a result Company recorded finance charges of \$14,483.

## **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 on April 21, 2014 a non-brokered private placement for shares at \$0.15 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 \$0.10. The private placement had closed as at September 2, 2014.

## **FINANCIAL INSTRUMENT AND 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, GST/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. GST/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 December 31, 2015, the Company had cash balance of \$3,908 (June 30, 2015 - \$6,910) and liabilities of \$1,290,816 (June 30, 2015 - \$1,031,435). All of the Company's financial liabilities have or are treated with maturities of less than one year, 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.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at December 31, the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

The Company had announced signing 4 letters of intent to enter into a Plan of Arrangement. The company has received shareholder and court approval for the Plan of Arrangement. It is awaiting for the last two companies to complete the share push-outs to complete the Arrangements.

## **TRANSACTIONS WITH RELATED PARTIES**

- (a) Included in Prepaid expenses and deposits is \$2,000 (2014 - \$Nil) paid for shares yet received from companies with a director and officer in common.
- (b) Included in accounts payable is \$14,550(2014 - \$2,785) owed to two directors and major shareholder, (2014 - \$Nil) owed a company controlled by a major shareholder.
- (c) Included in loans payable is \$197,700 (June 2015 - \$80,500) owing to directors of the company
- (d) Included in convertible debt is \$Nil (2014 - \$248,864) owing to directors of the company and \$677,623 (2014 - \$74,000) owing to companies with directors and officers in common.



- (e) Included in other income is \$12,095(2014 - \$Nil) earned from companies with a common director and officer.
- (f) Included in stock based compensation is \$26,800 (2014 - \$Nil) recognized as the value of the warrants issued on the conversion of the convertible debt to individuals related to directors and officers of the company and \$46,816 (2014 - \$Nil) recognized as the value of the warrants issued on the conversion of the convertible debt to companies controlled by a common director.
- (g) Key management personnel compensation:

Included consulting fees is \$7,500 (2014 - \$Nil) paid to key management personnel. Included in stock based compensation is \$46,816 (2014 - \$Nil) recognized as the value of the warrants issued on the conversion of the convertible debt to directors and officers of the company.

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 December 31, 2015:

Common shares:

On November 5, 2013, the Company closed and issued a non-brokered private placement of 1,040,000 common shares at \$0.20 per share for proceeds of \$208,000. No finder's fee was paid on this private placement.

On August 18, 2014, the Company issued 40,000,000 shares for the purchase of the Intellectual Property subject to certain terms and conditions.

On September 2, 2014 the Company issued 23,001,600 shares to convert a total of \$1,150,080 of debt into equity with a full warrant exercisable at \$0.10 for 3 or 5 years from date of issue.

Share purchase warrants

On August 18, 2014 the Company issued 3,000,000 warrants exercisable at \$0.10 for 3 years from date of issue.

On September 30, 2014 the Company issued 3,100,000 warrants exercisable at \$0.10 for 3 years from date of issue.

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. There are no stock options outstanding.

As at December 31, 2015, the Company had no compensation and stock options granted.

## **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**

The accounting policies set out below are in effect for the year ending December 31, 2015 and have been applied consistently to all periods presented in these financial statements.

### **(a) 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.

### **(b) 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. There are currently no options outstanding.

### **(c) 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.

(d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The initial measurement of financial assets and liabilities is fair value and their subsequent measurement is dependent on their classification as described below. Classification of a financial instrument depends on the purpose for which it was acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Asset / Liability	Classification	Subsequent measurement
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
Preferred shares	Other financial liabilities	Amortized cost
Equity component of convertible debt	Fair value through profit or loss	Fair Value

*Financial assets or financial liabilities at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the period end date. Fair value fluctuations including interest earned, interest

accrued, gains and losses realized on disposal and unrealized gains and losses are included in profit or loss.

Financial liabilities at fair value through profit or loss are those non-derivative financial liabilities that the Company elects to designate on initial recognition as financial instruments that it will measure at fair value. These are accounted for in the same manner as financial assets at fair value through profit or loss. The Company has not designated any non-derivative financial liabilities as financial liabilities at fair value through profit or loss.

Refer to compound financial instruments note below for details on measurement of option component of convertible debt and derivatives.

#### *Held-to-maturity*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

#### *Available-for-sale*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or financial assets or financial liabilities at fair value through profit or loss investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized or deemed to be an other than temporary impairment when the cumulative loss is transferred to profit or loss.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

#### *Loans and receivables*

Loans and receivables are accounted for at amortized cost using the effective interest method.

#### *Other financial liabilities*

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

## **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 effect 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, License 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 December 31, 2015, there has been no significant change in the Company's internal control over financial reporting since last comparative 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 this filing (together the "Interim 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**

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