

Xped Holdings Pty Ltd.
Consolidated Financial Statements
Years Ended June 30, 2013 and 2012

June 18, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Xped Holdings, Pty, Ltd.
Mawson Lakes, South Australia

We have audited the accompanying consolidated balance sheets of Xped Holdings, Pty, Ltd. (collectively, the "Company") as of June 30, 2013 and 2012 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xped Holdings as of June 30, 2013 and 2012 and the results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Xped Holdings will continue as a going concern. As discussed in Note 2 to the financial statements, Xped Holdings suffered losses from operations and has a working capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MaloneBailey, LLP

June 18, 2014

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Xped Holdings Pty, Ltd
Consolidated Balance Sheets
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 10,591	\$ 14,694
Investment credit refund receivable	305,951	292,072
	<u>316,543</u>	<u>306,766</u>
Non-Current Assets		
Equipment, net	29,718	50,407
Total Assets	<u>\$346,260</u>	<u>\$357,173</u>
 Liabilities and Stockholders' Deficit		
Current Liabilities		
Trade Creditors	\$ 93,410	\$ 52,422
Accrued Charges	10,625	16,370
Loans from stockholders	4,889,635	4,871,267
Total Liabilities	<u>4,993,670</u>	<u>4,940,059</u>
 Stockholders' Deficit		
Ordinary A Class Shares, No par value, unlimited authorized shares, 1320 shares issued and outstanding	509,099	509,099
Deficit accumulated during the development stage	(5,825,114)	(5,292,045)
Accumulated other comprehensive loss	668,607	200,060
Total Stockholders' Deficit	<u>(4,647,410)</u>	<u>(4,582,886)</u>
 Total Liabilities and Stockholders' Deficit	<u>\$ 346,260</u>	<u>\$ 357,173</u>

See notes to financial statements.

Xped Holdings Pty Ltd.
Consolidated Statements of Operations and Other Comprehensive Loss
For the 2 Years ended June 30, 2013 and 2012

	2013	2012
Revenue		
Government expense reimbursement grant	\$ 20,768	\$ 25,808
Government research and development credit grant	309,208	296,787
Total Revenue	329,975	322,595
General and administrative expenses	863,046	961,148
Net Loss	533,071	638,553
Other Comprehensive (Income) - Foreign Currency (Gain)	(468,545)	(200,060)
Net Loss	(\$64,524)	(\$438,493)
Net weighted average of shares outstanding	1,320	1,320
Net loss per share	\$403.84	\$483.75

See notes to financial statements.

Xped Holdings Pty Ltd
Consolidated Statement of Stockholders' Deficit
For the 2 Years Ended June 30, 2013 and 2012

	Shares	Amount	Deficit Accumulated during the Development Stage	Accumulated Other Comprehensive Income	Total Deficit
Balances, June 30, 2011	1,200	\$ 1,271	\$(4,653,490)	\$ -	\$(4,652,221)
Shares issued for cash	120	507,828			507,828
Net loss for the year		-	(638,553)	200,060	(438,493)
Balances, June 30, 2012	1,320	509,099	(5,292,043)	199,946	(4,582,886)
Net loss for the year	-	-	(533,071)	468,545	(64,524)
Balances, June 30, 2013	1,320	\$509,099	\$(5,825,114)	\$668,607	\$(4,647,410)

See notes to financial statements.

Xped Corporation Pty Ltd
Consolidated Statements of Cash Flows
For the 2 Years Ended June 30, 2013 and 2012

CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Net income (loss)	\$ (533,071)	\$ (638,553)
Adjustments to reconcile net income (loss) to net cash		
Depreciation expense	20,057	15,137
Changes in operating assets and liabilities:		
Accounts receivable	(13,879)	(292,072)
Accounts payable	40,988	52,422
Accrued expenses	(5,745)	16,370
CASH USED IN OPERATING ACTIVITIES	(491,650)	(846,696)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of fixed assets	(4,249)	(65,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	-	507,828
Loans from stockholders	510,433	484,951
CASH PROVIDED BY FINANCING ACTIVITIES	510,433	992,779
Effects of foreign exchange rate on Cash	(18,639)	(67,451)
NET INCREASE IN CASH	(4,105)	13,329
CASH AT BEGINNING OF PERIOD	14,694	1,365
CASH AT END OF PERIOD	\$ 10,589	\$ 14,694

Xped Holdings Pty Ltd
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Nature of Business.

The Company was formed July 1, 2011 in Australia. Its wholly-owned subsidiary Xped Corporation Pty Ltd was formed August 18, 2010. Expenses in early stage development were incurred individually by the two founders beginning in 2007 and are included in inception to date losses.

(b) Principles of Consolidation.

The statements include the parent company and its wholly-owned subsidiary. All intercompany balances have been eliminated.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments with a maturity of 3 months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(e) Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or directors' valuation. All assets excluding freehold land, are depreciated over their useful lives to the company. Leasehold improvements and office equipment are carried at cost less accumulated depreciation of 3 to 5 years using the straight-line method.

(f) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

(h) Tax Grant Revenue

The Company receives annual expense reimbursement and research and development grants from the Australian government. The amounts shown were earned during the periods recognized under Australian rules for period covered and reimbursement rules and collected during each following fiscal year.

(i) Basic and diluted net loss per share

Basic loss per share is computed using the weighted average number of shares of common stock outstanding during each period. Diluted loss per share includes the dilutive effects of common stock equivalents on an “as if converted” basis. Basic and diluted loss per share are the same due to the absence of common stock equivalents.

(j) Foreign currency translation

Assets and liabilities of foreign operations are translated into United States dollar equivalents using the exchange rates in effect at the balance sheet date. Revenues and expenses are translated using the average exchange rates during each period. Adjustments resulting from the process of translating foreign functional currency financial statements into U.S. dollars are included in accumulated other comprehensive income in common shareholders’ equity. Foreign currency transaction gains and losses are included in current earnings. There were no transaction gains and losses during the period from inception.

(k) Development stage

The Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to development stage.

(l) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States necessarily requires management to make estimates and assumptions that affect the amounts reported in the financial statements. We regularly evaluate estimates and judgments based on historical experience and other relevant facts and circumstances. Actual results could differ from those estimates.

(m) Recently issued accounting pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

2. Going Concern

As shown in the accompanying financial statements, we have incurred net losses of \$64, 524 and \$438,493 for the years ended June 30, 2013 and 2012, respectively. In addition, we have an accumulated deficit of \$5,825,114 and a working capital deficit of \$4,677,127 as of June 30, 2013. These conditions raise substantial doubt as to our ability to continue as a going concern. In response to these conditions, we may raise additional capital through the sale of equity securities, through an offering of debt securities or through borrowings from financial institutions or individuals. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

3. Loans From Stockholders

Amounts shown were loaned by the two stockholders, payable on demand with no interest. A net \$510,433 was borrowed in fiscal 2013, \$484,951 in 2012 and \$4,653,586 from inception through June 30, 2011.

4. Income Taxes

The Company uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. Since inception, the Company has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately \$365,000 at June 30, 2013 and has no expiration date.

Deferred taxes consist of net operation losses valued at \$110,000 as of June 30, 2013.