

Axxess Pharma, Inc.
Annual Report 2015
Financial Statements
Unaudited

1) Name of the issuer and its predecessors (if any)

Axxess Pharma, Inc. (hereunder as “Axxess”, the “Issuer”, or the “Company”)

Predecessor: CGI Communications Services, Inc.

On July 26, 2008, the Company amended its Certificate of Incorporation with the Delaware Secretary of State to change its name from CGI Communications Services, Inc. to Axxess Pharma, Inc.

2) Address of the issuer’s principal executive offices

Company Headquarters:

3250 Bloor Street West, suite 613
Toronto, ON
Canada, M8X 2X9
Phone: (416)-410-6006
Email: danielb@axxesspharmainc.com
Website(s): www.axxesspharmainc.com

IR Contact

Stephen Taylor
104 North Munn Ave.
Newark, NJ, 07106 Phone: (973) 351-3868
Email: stephtayl9@aol.com
Website(s):

3) Security Information

Trading Symbol: AXXE
Exact title and class of securities outstanding: common stock
CUSIP: 054631 20 5
Par or Stated Value: \$0.0001 per share (the “Common Stock”)
Total shares authorized: 1,000,000,000 as of: April 20, 2016
Total shares outstanding: 20,016,627 as of April 20, 2016, excluding 93,025,754 of shares held in reserve by our transfer agent in accordance to certain convertible debenture agreements.

Additional class of securities (if necessary):

Trading Symbol: N/A

Exact title and class of securities outstanding: preferred voting shares

CUSIP: N/A

Par or Stated Value: \$0.0001 per share (the "Preferred Stock")

Total shares authorized: 20,000,000 as of April 20, 2016

Total shares outstanding: 20,000,000 as of April 20, 2016

Transfer Agent

Name: Corporate Stock Transfer, Inc.

3200 Cherry Creek South Drive, Suite 430

Denver, Colorado 80209

Phone: (303) 282-4800

Is the Transfer Agent registered under the Exchange Act? Yes: X No:

List any restrictions on the transfer of security: None except for the restrictions under the applicable securities laws.

Describe any trading suspension orders issued by the SEC in the past 12 months: None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

The Company completed a 2,500-for-1 reverse split in February 2016.

4) Issuance History

The Company's issuances and cancellations of stock to April 20, 2016 are as follows:

Authorized Shares

On May 4, 2015, the Company amended the Articles of Incorporation to increase the authorized common shares to 150,000,000 from 100,000,000.

On August 13, 2015, the Company amended the Articles of Incorporation to increase the authorized common shares to 250,000,000 from 150,000,000.

On November 4, 2015, the Company amended the Articles of Incorporation to increase the authorized common shares to 500,000,000 from 250,000,000.

On January 4, 2016, the Company amended the Articles of Incorporation to increase the authorized common shares to 250,000,000 from 1,000,000,000.

Common Stock Issuances:

The following is a list of all of the Company's issuances of securities between January 1, 2014 and April 15, 2016.

1. On January 28, 2014, 750,000 shares of Common Stock to Equity Portfolio Funding LLC in connection with a Share Purchase Agreement
2. On January 29, 2014, 7,000 shares of Common Stock to Ramel Shorte & Associates Inc. for investment Banking Services
3. On January 28, 2014, 200,000 shares of common stock to Brian Dennis Haspel pursuant to a Share Purchase Agreement.
4. On January 29, 2014, 4,000 shares of Common Stock to Greg Traina for investment banking services
5. On January 29, 2014, 4,000 shares of Common Stock to Myers Associates LP, for investment banking services
6. On March 17, 2014, 200,000 shares of common stock to Michael Marino pursuant to a Share Purchase Agreement
7. On April 1, 2014, 50,000 share of common stock to Catia James for consulting services
8. On April 15, 2014, 200,000 shares of common stock to Frank Valela pursuant to a Share Purchase Agreement
9. On May 1, 2014, 80,000 shares of common stock to Ryan Jimmo for consulting services
10. On May 1, 2014, 20,000 share of common stock to First Round Management for consulting services
11. Between May 20, 2014 and July 21, 2014, 2,342,170 shares of common stock to Seaside 88 LP, pursuant to Share Purchase Agreements
12. On June 24, 2014, 900,000 shares of common stock to Dino Fidani pursuant to a Share Purchase Agreement
13. On September 18, 2014, 4,000,000 shares of common stock to Ramos & Ramos Investments upon a conversion of debt note.
14. On July 24, 2014, 100,000 shares of common stock to Belvida Enterprises PTY LTD pursuant to a Share Purchase Agreement
15. On July 22, 2014, Mathew Krzesinski was issued 600,000 shares of restricted common shares pursuant to a sponsorship agreement.
16. On August 4, 2014, Blue Ivory International Holdings LTD: 12,500,000 shares of restricted common stock were returned to treasury pursuant to a convertible note.
17. On August 26, 2014, Pavlovich Family Trust: 1,000,000 shares of restricted common stock pursuant to a share purchase agreement
18. On September 4, 2014, 4,000,000 shares of common stock to Ramos & Ramos Investments Inc. upon conversion of notes payable to equity
19. On September 15, 2014, Mathew Krzesinski: 50,000 shares of restricted common stock, pursuant to a sponsorship agreement

20. On October 13, 2014, Ramel Shorte 50,000 shares of restricted common stock pursuant to a consulting agreement
21. On October 24, 2014, ABG Tapout LLC: 500,000 shares of restricted common stock pursuant to a license agreement
22. On November 5, 2014 the Company issued 1,000,000 shares valued at \$0.19 per share to the Company Chief Executive Officer for consulting services.
23. On December 3, 2014, the Company issued 1,000,000 valued at \$0.16 in exchange for services related to a license distribution agreement.
24. On January 14, 2015, the Company issued Mathew McMurdo Esq, 1,000,000 shares to be held in reserve pursuant to the Beaufort loan agreement.
25. On January 21, 2015, the Company issued Beaufort Capital Partners, LLC. 200,000 shares in exchange for an extension of the secured promissory note.
26. On January 30, 2015, Core Biotech PTY, 600,000 shares, pursuant to consulting agreement.
27. On February 13, 2015, 300,000 shares were issued to Beaufort Capital Partners LLC shares in exchange for an extension of the secured promissory note.
28. On March 12, 2015, 100,000 shares were issued to Seaside 88 LP, pursuant to an extension and waiver of liquidated damages in accordance with the share purchase agreement
29. On March 18, 2015, 65,000 shares were issued to Ramel Shorte & Associates in exchange for investment Banking Services.
30. Between February 12, 2015 and March 20, 2015, the Company issued 4,687,899 shares were issued in exchange for the conversion of \$200,000 of convertible notes to Redwood Capital LLC.
31. On March 25, 2015, 4,000,000 shares were issued in exchange for the conversion of \$40,000 of convertible notes to Ramos & Ramos Investments.
32. On April 16, 2015, 6,000,000 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos & Ramos Investments.
33. Between April 24, 2015 and May 19, 2015, the Company issued 1,067,073 shares in exchange for the conversion of \$160,000 of convertible notes to Redwood Capital LLC.
34. On June 2, 2015, 6,000,000 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos and Ramos Investments, Inc.
35. On June 15, 2015, 100,000 shares were issued to Tyron Woodley Fighting, LLC pursuant to a consulting agreement.
36. On June 16, 2015, 250,000 shares were issued to Global Health Link pursuant to a consulting agreement.
37. On June 16, 2015, 56,714 shares were issued to Ramel Shorte & Associates in exchange for investment Banking Services.
38. On June 16, 2015, 3,225,000 shares of Common Stock to Revive Bioscience Inc. shareholders in accordance with the purchase agreements.
39. Between May 22, 2015 through July 14, 2015, the Company issued 4,701,752 shares in exchange for the conversion of \$101,080 of convertible notes to RBB Capital LLC.
40. On July 11, 2015, 7,500,000 shares were issued in exchange for the conversion of \$75,000 of convertible notes to Ramos and Ramos Investments, Inc.

41. Between October 13, 2015 through November 4, 2015, the Company issued 58,075,248 shares in exchange for the conversion of \$82,312 of convertible notes to RBB Capital, LLC.
42. Between October 13, 2015 through November 4, 2015, the Company issued 17,689,083 shares in exchange for the conversion of \$75,000 of convertible notes to Redwood Capital.
43. Between November 9, 2015 through December 18, 2015, the Company issued 102,050,000 shares in exchange for the conversion of \$39,768 of convertible notes to Redwood Capital.
44. On December 2, 2015, 21,500,000 shares were issued in exchange for the conversion of \$10,750 of convertible notes to Ramos and Ramos Investments, Inc.
45. Between November 24, 2015 and December 30, 2015, the Company issued 41,666,666 shares in exchange for the conversion of \$20,833 of convertible notes to Blackridge Capital.

2016 Activity – all share information has been restated from January 1, 2016 to show the effect of the 2,500 to 1 reverse split as of February 12, 2016

46. On January 2, 2015, the Company issued 1,400 shares in exchange for the conversion convertible notes to Ramos and Ramos Investments, Inc.
47. On January 20, 2015, the Company issued 12,308 shares in exchange for the conversion of convertible notes to Ramos and Ramos Investments, Inc.
48. Between March 17, 2016 and April 15, 2016, the Company issued 7,670,000 shares to EROP Capital in conjunction with an accounts payable purchase agreement.
49. On March 24, 2016, the Company issued 12,500,000 shares of common stock to Blue Ivory Capital in exchange for a debt modification.
50. Between March 28, 2016 and April 12, 2016, the Company issued 1,424,806 shares of common stock to RBB Capital, LLC in exchange for the conversion of debt
51. Between March 21, 2016 and March 31, 2016, the Company issued 558,046 shares of common stock to RDW Capital, LLC in exchange for the conversion of debt.
52. Between March 17, 2016 and April 15, 2016, the Company issued 1,038,035 shares of common stock to RDW Capital, LLC in exchange for the conversion of debt.

Preferred Stock

1. 20,000,000 shares of Preferred Voting Stock to Blue Ivory International Holdings, Inc.

Loan Agreements:

The Company entered into a loan agreement with Beaufort Capital Partners LLC, on June 9, 2014, for proceeds of \$250,000, bearing interest at 12% per Annum.

On February 5, 2015, the Company entered into a convertible debenture with Redwood Capital LLC, for proceeds of \$100,000.

On February 23, 2015 the Company entered into a loan agreement with Ramos and Ramos Investments, Inc. for proceeds of \$130,000.

On February 17, 2015 the Company entered into a loan agreement with River North Equity LLC for proceeds of \$75,000.

On April 6, 2015 the Company entered into a loan agreement with River North Equity LLC for proceeds of \$77,500.

On May 15, 2015 the Company entered into a loan agreement with Ramos and Ramos Investments, Inc. for proceeds of \$100,000.

On May 17, 2015 the Company entered into a loan agreement with RBB Capital, LLC for proceeds of \$100,000.

On August 14, 2015, the Company entered into a note payable with Redwood Global Fund III. The agreement exchanged notes of \$66,150, includes \$3,150 of original issuance discount.

On July 21, 2015 through November 23, 2015, the Company entered into a convertible promissory notes payable in an aggregate principal amount of \$100,000 with GHS Investments, Inc.

On October 8, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount.

On November 13, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount.

On March 28, 2016, the Company entered into two convertible promissory note payable in an aggregate principal amount of \$30,000 with Blackridge Capital.

On April 4, 2016, the Company entered into a \$25,000 note payable with FTC Capital, LLC. Repayments of the notes are to be within 90 days based upon revenue collections.

5) Financial Statements

See the Financial Statements for the year ended December 31, 2015 attached herewith this annual report as Exhibit A.

6) Describe the Issuer's Business, Products and Services

A. A description of the issuer's business operations;

Axxess, a Nevada Corporation, has in-licensed rights to manufacture and distribute several Health Canada-approved pharmaceutical and natural health products and various products under the TapouT brand, including Pain relief, Nutritional Supplements and Vitamins & Minerals.

Our Own Products

The Company intends to manufacture and distribute in Canada, the USA and other markets internationally both in retail and online the products listed below:

Soropon Medicated Shampoo

Soropon Medicated Shampoo is a treatment for both infants and adults for fungal infections of the scalp such as seborrheic dermatitis and cradle cap in infants.

There are several shampoos meant to treat similar conditions such as, Nizoral, Dan-Gard, SebCur and Polytar, all being offered in the \$20-24.00 price range. The Company plans to employ an aggressive pricing strategy to compete effectively with the other competitors in this market segment, while marketing to all the target age groups.

The Company expects to re-launch Soropon Medicated Shampoo into the Canadian market approximately six months upon completion of further financing. We cannot guarantee that the financing will be available or available at favourable terms to the Company.

TapouT- branded Products: The Company acquired in 2013, the world-wide exclusive license from ABG-Authentic Brands for TapouT Vitamins & Minerals, Pain Relief and Certain Supplements, Protein Powder, Ready-to-Drink Protein meal replacement products in return for a royalty rate of 5%.

The TapouT-branded products include TapouT Spray Pain Relief, TapouT Pain Relief Towelettes, TapouT Hot & Cold Reusable Packs, TapouT Instant Cold Packs, TapouT Extreme Muscle Growth Supplement, TapouT Muscle Recovery Supplement, TapouT Turbo Blend Protein Powder and TapouT Omega-3 Fish Oil.

The TapouT-brand pain relief products use a patented formulation with no chemical binders, and all-natural ingredients. The Company believes this will confer a competitive advantage in the market.

The products:

TapouT Extreme Muscle Growth and Tapout Muscle Recovery are manufactured in the US through Private Label Nutraceuticals LLC and, we offer a premium formula in keeping with the quality and natural ingredients philosophy of TapouT.

TapouT Turbo Blend Protein Powder is manufactured in the US at Private Label Nutraceuticals LLC, and offers a unique formula using organic components, added L-Carnitine, iron and fish oil, with the added benefit of being gluten-free.

TaouT Omega-3 Fish Oil: is a high-potency fish oil with a special formulation allowing it to be taken without meals.

Distribution

The Company plans to distribute its products in Canada, the US and certain international markets. The Company is currently negotiating licensing and/or distribution agreements with foreign distributors for the Sales and Marketing of some of Axxess's products in their respective territories. One example of a foreign distribution agreement is with Hard Core Beverages (HCB) of Australia for the TapouT line of products. The TapouT brand is even more recognizable in the Asia Pacific region and the company believes sales will grow quickly in the region. HCB has the rights for Australia, New Zealand, Indonesia and South Korea.

Other Products

The Company plans to add other products in the TapouT line such as, a Ready-to-Drink protein meal replacement, protein bars, and an all-natural testosterone boost in order to meet the perceived high-demand from big-box retailers in the US and abroad, and expects to launch these products in the first half of 2015.

Manufacturing

Axxess does not, and does not intend to manufacture any products itself, rather, it uses and will continue to use FDA and/or Health Canada approved contract pharmaceutical manufacturers to manufacture its product line. The Company intends to have manufactured its own products in either Canada or the USA in cGMP facilities owned by contract manufacturers, for smooth access into more non-regulated markets overseas. Although the Company competes with other pharmaceutical companies who offer somewhat similar products, the Company believes its products offer some unique components which render its products more attractive to consumers, such as lower side-effect profile or price advantage as well as the added lustre of a recognizable brand.

The company has wholesale inventory valued at approximately \$97,000.

Patents

On September 30, 2013, the Company acquired patents on the methods used to formulate its topical pain relief formula without the use of chemical binders, from Revive Bioscience Inc. In addition, the Company and relies on other proprietary manufacturing know-how for its certain products.

B. Date and State (or Jurisdiction) of Incorporation:

The Company was incorporated in the state of Delaware on April 7, 1997 as CGI Communications Services, Inc. On July 26, 2008, the Company amended its certificate of incorporation to change its name to Axxess Pharma, Inc. On December 6, 2012, the Company reincorporated in Nevada by merging into a newly formed Nevada entity with the same name. The Company now operates as Axxess Pharma, Inc., with Axxess Pharma Canada, Inc., as its wholly-owned subsidiary.

On October 1, 2013, the Company formed a wholly-owned subsidiary, AllStar Health Brands, Inc., under the laws of the Province of Ontario, Canada.

C. the issuer's primary and secondary SIC Codes;

Primary SIC Code: 2836-1; Secondary SIC Code: 2834-1.

D. the issuer's fiscal year end date;

The Company's fiscal year end date is December 31.

E. principal products or services; and their markets;

The Company's principal products are pharmaceutical and natural health products. The Company currently has the rights to several DINs and formulations (Drug Identification Numbers) registered with Health Canada, and intends to periodically launch some or all of these products onto the Canadian market.

7) **Issuer's Facilities**

The Company currently has its offices in Toronto, Canada; Aventura, Florida and Mexico City, Mexico. The Company leases the Toronto and Aventura offices certain affiliated parties.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors and Control Persons

Name	Affiliation
Peter Daniel Bagi, MD	President, Director and Control Person (holding 1,400 shares or 0.00% of the Company's common stock)
Blue Ivory International Holdings LTD	12,505,000 shares representing 62.50% of the company's common stock

Peter Daniel Bagi, MD, is an experienced pharmaceutical and biotech professional with +26 yrs. in the industry. Dr. Bagi is currently responsible for all areas of operations, while the Company secures additional financing, and currently owns 1,400 shares of restricted Common Stock with a two-year holding period. Dr. Bagi is also currently the sole director.

Dr. Bagi graduated from the Faculty of Medicine at the University of Monterrey, in 1990, and subsequently successfully passed the US foreign-medical graduate licensing exam in 1991. Dr. Bagi began in the Biotech industry in 1990 as the Associate Medical Director of a Canadian Biotech company, which has since undergone several name changes over the years, but is currently known as Lorus Therapeutics, and as such Dr. Bagi's responsibilities included overseeing the cancer clinical trial program in Canada, US and Mexico. During his five-yr. tenure at Lorus, Dr. Bagi was asked to participate in presentations at medical and scientific conferences to highlight the progress of its lead cancer-fighting compound: Virulizin. In addition Dr. Bagi was able to spearhead the approval of Virulizin in Mexico as a second-line treatment for metastatic pancreatic cancer. Since Lorus was a small Biotech company, Dr. Bagi was also asked to present the scientific progress of Lorus during fund-raising efforts Lorus periodically undertook.

After leaving Lorus, Dr. Bagi freelanced as a biotech analyst at several of Toronto's brokerage firms writing reports on pharmaceutical and biotech companies the brokerages were considering investments in.

Dr. Bagi also was able to recruit World-Class Advisory Boards for several of the small biotech companies he has consulted with over the years, such as Alpha Rx.

Dr. Bagi also worked as a Business Development consultant for various small biotech companies, and was instrumental in out-licensing several medicinal products between Canadian and foreign pharmaceutical companies. One of Dr. Bagi's successful out-licensing medicines, Indaflex, a topical pain-relief product currently enjoys in excess of US \$2.5 million in annual sales in Mexico.

Dr. Bagi's experience across several aspects of the operations of a small pharmaceutical company will serve the Company well in the execution of its Business Plan.

Consultants

Stephen Taylor is a consultant of the Company. He provides consulting services to the Company with respect to investor relations.

Stephen Taylor, 42, Chief Executive Officer and President of Taylor Capitol, Inc., has provided Investor Relation services for 14 years with a prior background in equity research and investment banking in the Wall Street area. Stephen Taylor possesses a deep network of connections in the investment community. This network ranges from retail brokers, fund managers, wealth managers, Wall Street analysts, investment bankers, private equity firms and senior level management consultants.

Carrollton Partners, LLC. Rick Leimbach, Principal, has extensive experience working with reporting issuers and is a consultant providing assistants with reporting matter.

Ramel Shorte: financial consultant has been retained to assist the company with its on-going financing efforts

B. Legal or Disciplinary History

1. None of the above persons has, in the last five years, been the subject of a conviction in a criminal proceeding or named as a defendant in a pending criminal proceedings (excluding traffic violations and other minor offenses);
2. The entry of an order, judgement, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of businesses, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of businesses or securities activities.

Beneficial Shareholders

The following table sets forth certain information with respect to the beneficial ownership of our securities by each major of the outstanding common stock and preferred stock of the Company as of April 20, 2016.

Common Stock

Name	Number of Shares Beneficially Owned	Percent of Class (1)
Peter Daniel Bagi, MD	1,400	0.00%
All Executive Officer and Director as a group (1 persons)	1,400	0.00%
Blue Ivory International Holding, Ltd.(2)	12,505,000	62.50%

(1) Based on 20,016,627 shares of Common Stock outstanding as of April 20, 2016.

(2) Alan Cole is President of Blue Ivory International Holding, Inc. and has voting and dispositive control of the shares owned by Blue Ivory International Holding, Inc.

Preferred Voting Stock

Name	Number of Shares Beneficially Owned	Percent of Class (1)
Blue Ivory International Holding, Ltd. (2)	20,000,000	100%

(1) Based on 20,000,000 shares of Preferred Voting Stock outstanding as of April 20, 2016.

(2) Alan Cole is President of Blue Ivory International Holding, Inc. and has voting and dispositive control of the shares owned by Blue Ivory International Holding, Inc.

Listed Address: Peter Daniel Bagi, M.D. President
Axxess Pharma Inc.
3250 Bloor Street West, suite 613g
Toronto, ON, M8X 2X98
Canada

Listed Address: Blue Ivory Holdings, Ltd.
Alan Cole, Director
303 Shirley Street
P.O. Box N-492
Nassau, The Bahamas

C.

D. No broker or dealer or any associated person is affiliated, directly or indirectly with the issuer.

9) **Third Party Providers**

Legal Counsel

Gregg E. Jaclin, Esq., Partner

Szaferman Lakind Blumstein & Blader, P.C., as the Company's corporate and securities counsel.

101 Grovers Mill Road, Suite 200

Lawrenceville, NJ 08648

Phone: (609) 275-0400

Email: gjaclin@szaferman.com

Accountant or Auditor

Steven Rosenberg, CA

Rosenberg Smith & Partners LLP

2000 Steeles Ave West

Suite 200, Concord, ON

Canada. L4K 3E9

Phone: (905) 695-3565

Email: srosenberg@rsp.ca

KLJ & Associates, LLP

Kent L. Jensen CPA, CFE, Managing Partner

1107 Brunswick HBR

Schaumburg, IL 60193-4210

Phone: 630-277-2330

The Company's financial statements included in this Quarterly Report are not audited. However, KLJ & Associates, LLP has been retained by the Company to perform audits on the Company's financial statements.

Investor Relations Consultant

Name: Stephen Taylor

Firm: Taylor Capital, Inc

Address: 104 North Munn Ave., Newark, NJ, 07106

Phone: (973) 351-3868

Email: stephtayl9@aol.com

Other Advisors

N/A

10) Issuer Certification

I, Peter Daniel Bagi, M.D., certify that:

1. I have reviewed this Quarterly Report of Axxess Pharma, Inc.
2. Based upon my knowledge, this disclosure statement does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: April 21, 2016

s/ Peter Daniel Bagi

A handwritten signature in black ink that reads "Peter Daniel Bagi". The signature is written in a cursive style with a large initial "P" and "D".

Peter Daniel Bagi
President

EXHIBITS

Designation
Exhibit A

Description
Financial Statements

Exhibit A

Financial Statements

AXXESS PHARMA INC. & SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended
(Unaudited)
December 31, 2015 and 2014
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AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash	\$ 595	\$ 8,621
Accounts receivable	4,337	20,277
Inventory	97,225	163,257
Prepaid expenses and other	3,425	10,419
TOTAL CURRENT ASSETS	105,582	202,574
INTANGIBLE ASSETS, Net	100,108	120,320
TOTAL ASSETS	\$ 205,690	\$ 322,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 457,805	\$ 350,339
License fee payable	1,625,000	1,125,000
Notes payable	288,562	1,061,066
Notes payable - related party	1,201,088	1,095,867
Derivative liability	1,375,634	6,016,242
Accrued liquidated damages	503,257	-
Convertible notes payable - net of original issue discount, debt discount and warrant feature	975,771	98,411
TOTAL CURRENT LIABILITIES	6,427,117	9,746,925
LONG-TERM LIABILITIES		
License fee payable	3,375,000	3,875,000
Note Payable	-	-
TOTAL LONG-TERM LIABILITIES	3,375,000	3,875,000
TOTAL LIABILITIES	9,802,117	13,621,925
STOCKHOLDERS' EQUITY		
Preferred stock \$0.0001 par value: 20,000,000 Authorized shares: 20,000,0000 shares Issued and outstanding	2,000	2,000
Common Stock, \$0.0001 par value: 1,000,000,000 Authorized shares: 137,510 and 22,686 issued and outstanding shares, respectively	14	2
Common stock payable	-	-
Additional paid-in capital	25,367,622	21,654,175
Other comprehensive Income (loss)	121,431	106,380
Retained earnings	(35,087,494)	(35,061,588)
TOTAL STOCKHOLDERS' EQUITY	(9,596,427)	(13,299,031)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 205,690	\$ 322,894

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Year Ended December 31,	
	2015	2014
SALES	\$ 20,576	\$ 76,797
COST OF SALES	51,899	99,535
GROSS PROFIT (LOSS)	(31,323)	(22,738)
GENERAL & ADMINISTRATIVE EXPENSES		
Professional fees	403,327	416,396
Office	83,877	149,277
Stock Compensation	125,602	734,193
Management fees	60,000	54,338
Advertising	286,311	147,780
Travel and related	65,539	135,418
Royalty fees	95,627	73,020
Amortization of license fee	20,212	7,055
Other	32,025	121,361
TOTAL GENERAL AND ADMINISTRATIVE EXPENSE	1,172,520	1,838,838
NET LOSS FORM OPERATIONS	(1,203,843)	(1,861,576)
OTHER INCOME/(EXPENSE)		
Loss on extinguishment of debt	(2,281,571)	(972,000)
Gain (loss) on change in fair value of derivative liabilities	5,778,545	(5,831,062)
Liquidated damages	(846,257)	-
Loss on exchange of collateral for debt	-	(1,000,000)
Foreign currency gain	34,374	69,681
Financing costs	(10,800)	-
Amortization of warrant feature	(59,679)	(27,433)
Amortization of debt discount	(927,148)	(51,296)
Interest expense	(509,527)	(142,671)
TOTAL OTHER INCOME /(EXPENSE)	1,177,937	(7,954,781)
NET LOSS BEFORE INCOME TAXES	(25,906)	(9,816,357)
INCOME TAX EXPENSE	-	-
NET LOSS	(25,906)	(9,816,357)
OTHER COMPREHENSIVE INCOME	15,051	41,936
NET LOSS & COMPREHENSIVE INCOME	\$ (10,855)	\$ (9,774,421)
Basic & Diluted earnings per share	\$ (0.70)	\$ (433.68)
Weighted average basis & diluted shares outstanding	36,639	22,538

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Preferred stock		Common stock		Additional Paid-In Capital	Retained Earnings	Common Stock Payable	Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount					
Balance, December 31, 2013	20,000,000	2,000	19,854	2	16,857,848	(25,245,229)	2,128,000	64,444	(6,192,935)
Shares issued for cash	-	-	2,725	-	760,689	-	-	-	760,689
Shares issued for services	-	-	1,597	-	844,526	-	-	-	844,526
Warrant feature related to issuance of note payable	-	-	-	-	87,112	-	-	-	87,112
Debt converted to equity	-	-	4,800	1	3,103,999	-	(2,128,000)	-	976,000
Collateral exchange for debt	-	-	(5,000)	(1)	1	-	-	-	-
Record shares issued Acquisition	-	-	(1,290)	-	-	-	-	-	-
Net loss	-	-	-	-	-	(9,816,359)	-	-	(9,816,359)
Foreign currency Translation	-	-	-	-	-	-	-	41,936	41,936
Balance, December 31, 2014	20,000,000	\$ 2,000	22,686	\$ 2	\$21,654,175	\$(35,061,588)	\$ -	\$ 106,380	\$(13,299,031)
Shares issued for cash	-	-	18,467	2	90,014	-	-	-	90,016
Shares issued for services	-	-	429	-	123,073	-	-	-	123,073
Liquidated damages	-	-	240	-	110,500	-	-	-	110,500
Record shares issued Acquisition	-	-	1,290	-	-	-	-	-	-
Debt converted to equity	-	-	94,398	10	3,264,860	-	-	-	3,264,870
Contributed capital in conjunction with debt settlement agreement	-	-	-	-	125,000	-	-	-	125,000
Net loss	-	-	-	-	-	(25,906)	-	-	(25,906)
Foreign currency Translation	-	-	-	-	-	-	-	15,051	15,051
Balance, December 31, 2015	20,000,000	\$ 2,000	137,510	\$ 14	\$25,367,622	\$(35,087,494)	\$ -	\$ 121,431	\$(9,596,427)

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Year Ended December 31,	
	2015	2014
OPERATING ACTIVITIES		
Net loss	\$ (25,906)	\$ (9,816,357)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	123,073	734,193
Loss on exchange of collateral for debt	-	1,000,000
Conversion of debt to equity	2,430,135	972,000
Amortization of Original issue discount	58,550	27,433
Amortization of debt discount feature of convertible debenture	927,148	51,296
Amortization of warrant feature of convertible debenture	59,679	19,682
Debt discount feature in excess of derivative liability at issuance date	227,318	37,838
Liquidated damages	826,257	-
Change in value of derivative liability	(5,927,109)	5,815,516
Amortization of license fee	20,212	7,055
Changes in operating assets and liabilities:		
Accounts receivable	15,939	(17,877)
Inventory	66,032	(142,732)
Prepaid expenses and other assets	6,994	20,012
Accounts payable & accrued liabilities	337,130	162,878
Net cash (used) by operating activities	<u>(854,548)</u>	<u>(1,129,063)</u>
FINANCING ACTIVITIES		
Issuance of common stock	-	760,689
Proceeds from convertible debentures	969,900	250,000
Proceeds from promissory note	106,350	-
Repayment of promissory note	(250,000)	-
Proceeds from note payable, related party	5,221	-
Other	-	79,998
Net cash provided by financing activities	<u>831,471</u>	<u>1,090,687</u>
Effect of foreign currency translation	15,051	41,936
NET INCREASE (DECREASE) IN CASH	(8,026)	3,560
CASH		
Beginning of year	8,621	5,061
End of year	<u>\$ 595</u>	<u>\$ 8,621</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
NON-CASH ACTIVITY		
Loss on exchange of collateral for debt	\$ 1,000,000	\$ 1,000,000
Loss on exchange of debt for equity	\$ 2,304,135	\$ 972,000
Conversion of debt to equity	\$ 924,743	\$ 4,000
Acquisition of license fee payable	\$ -	\$ 25,000

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

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 1—THE COMPANY AND BASIS OF PRESENTATION

Nature of operations

Axxess Pharma, Inc. was incorporated in the state of Delaware on April 7, 1997 as CGI Communications Services Inc. On July 26, 2008, the Company amended its certificate of incorporation to change its name to Axxess Pharma, Inc. On December 6, 2012 the Company reincorporated in Nevada by merging into a newly formed Nevada entity with the name Axxess Pharma, Inc. The Company now operates as Axxess Pharma, Inc. with Axxess Pharma Canada, Inc. and Allstar Health Brands Inc. as its wholly owned subsidiaries.

Axxess Pharma Canada, Inc. was incorporated under the Laws of the Province of Ontario. The Company is engaged in the acquisition of Drug Identification Numbers and the eventual sale of the related products. All Star Health Brands Inc. was incorporated on October 1, 2013 under the Laws of the Province of Ontario. The Company is engaged in the acquisition of Drug Identification Numbers and the eventual sale of the related products

The consolidated financial statements included the results of Axxess Pharma Inc. Axxess Pharma Canada and its wholly owned subsidiary Allstar Health Brands Inc. All intercompany accounts have been eliminated during consolidation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company's most significant areas of estimation and assumption are:

- determination of the appropriate amount and timing of markdowns to clear unproductive or slow-moving retail inventory and overall inventory obsolescence
- estimation of future cash flows used to assess the recoverability of long-lived assets
- estimation of estimated fair value of the equity instruments

Stock Split

On February 16, 2016, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500 (the "Reverse Stock Split"). Upon the effectiveness of the Reverse Stock Split, which occurred on February 16, 2016, the Company's issued and outstanding shares of common stock was decreased from approximately 870,088,000 to 348,000 shares, all with a par value of \$0.0001. Accordingly, all share and per share information has been restated to retroactively show the effect of the Reverse Stock Split.

Cash and Cash Equivalents

All short-term investments with original maturities of three months or less at date of purchase are considered cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company maintains their cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. The Company also maintains a certain amount of cash on hand at the retail store locations. The Company has not experienced any significant losses with respect to its cash. At both December 31, 2015 and 2014, the Company did not exceed the insured limit of a depository institution.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

The Company considers the entire accounts receivable to be fully collectible. The accounts receivable consist of trade receivable to wholesale customer. Management believes all receivables are fully collectible and therefore no allowance for bad debt has been recorded as of December 31, 2015 and 2014.

Inventory

Inventory consists of finished product acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis.

Fair value of financial instruments

The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments. The carrying amount of the Company's promissory note obligations approximate fair value, as the terms of these notes are consistent with terms available in the market for instruments with similar risk.

We account for our derivative financial instruments, consisting solely of certain stock purchase warrants that contain non-standard anti-dilutions provisions and/or cash settlement features, and certain conversion options embedded in our convertible instruments, at fair value using level 3 inputs. We determine the fair value of these derivative liabilities using the Black-Scholes option pricing model when appropriate, and in certain circumstances using binomial lattice models or other accepted valuation practices.

When determining the fair value of our financial assets and liabilities using the Black-Scholes option pricing model, we are required to use various estimates and unobservable inputs, including, among other things, contractual terms of the instruments, expected volatility of our stock price, expected dividends, and the risk-free interest rate. Changes in any of the assumptions related to the unobservable inputs identified above may change the fair value of the instrument. Increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in the unobservable inputs generally result in decreases in fair value.

Foreign Currency Transactions

The Company's functional currency is the Canadian dollar and the reporting currency is the U.S. dollar. Assets and liabilities are translated from the functional to the reporting currency at the exchange rate in effect at the balance sheet date and equity at the historical exchange rates. Revenue and expenses are translated at rates in effect at the time of the transactions. Resulting translation gains and losses are accumulated in a separate component of stockholders' equity - other comprehensive income (loss). Realized foreign currency transaction gains and losses are credited or charged directly to operations.

Intangible Assets

Intangible Assets consist primarily of licensing as it relates to Drug Identification Numbers (DINs), which is calculated on a straight-line basis over the estimated useful lives, generally estimated, to be ten years. The carrying value of the DINs is assessed for impairment annually during the fourth quarter of each year, or more frequently if impairment indicators exist. Other intangible assets consist of websites, trademarks, domain names etc. and are amortized over estimated useful lives.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted cash flows. If long-lived assets are impaired, an impairment loss is recognized and is measured as the amount by which the carrying value exceeds the estimated fair value of the assets. The estimation of future undiscounted cash flows from operating activities requires significant estimates of factors that include future sales growth and gross margin performance. Management believes they have appropriately determined future cash flows and operating performance; however, should actual results differ from those expected, additional impairment may be required.

Cost of sales

Cost of sales of approximately \$51,899 and \$99,535 for the years ended December 31, 2015 and 2014, respectively, consist primarily of merchandise costs of sales.

Revenue recognition

The Company derives revenues from sale of merchandise and upon the following: (1) there is persuasive evidence that an arrangement exists; (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

Advertising / Marketing

Advertising costs are charged to expense when incurred. The Company's advertising method is primarily print, web based and word of mouth. Advertising / marketing costs were approximately \$286,311, and \$147,780 for the years ended December 31, 2015 and 2014, respectively.

Stock-based compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 505 and 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached by the FASB ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-50.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

ASC Topic 220, "Comprehensive Income", establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive Income consists of foreign currency translation.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. generally accepted accounting principles on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and are to be adopted by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this standard.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This ASU is effective for financial statements issued for annual periods beginning after December 16, 2016, and interim periods within those annual periods. The adoption of this standard will not have any impact on the Company's financial position, results of operations and disclosures.

ASU No. 2015-03, "Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs." The amendments in this update require the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal periods. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. The Company intends to adopt this requirement in 2016, and currently anticipates that the impact of adoption will solely be a reclassification of its deferred financing costs from asset classification to contra-liability classification.

In August 2014, the FASB issued a new U.S. GAAP accounting standard that provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new accounting standard requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The new accounting standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

NOTE 3 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principle, which contemplate continuation of the Company as a going concern. The Company currently has limited working capital, and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 4 – INTANGIBLE ASSETS

TapouT Muscle Recovery Patent and License Tradename

The Company acquired patent and product licenses, trademarks and patents in TapouT Muscle Recovery products (see Note 10).

The components of our other intangible assets at December 31, 2015 are summarized below:

Other Intangible Asset Class	Cost	Accumulated Amortization	Net Carrying Amount	Weighted-Average Amortization Period
Tapout Muscle Recovery patent and license and tradename - October 2013	\$ 2,500	\$ (1,075)	\$ 1,425	4.25 years
Tapout Muscle Recovery patent and license and tradename - September 2014	125,000	(26,317)	98,683	5.33 years
Total other intangible assets	\$ 127,500	\$ (27,392)	\$ 100,108	

The components of our other intangible assets at December 31, 2014 are summarized below:

Other Intangible Asset Class	Cost	Accumulated Amortization	Net Carrying Amount	Weighted-Average Amortization Period
Tapout Muscle Recovery patent and license and tradename - October 2013	\$ 2,500	\$ (601)	\$ 1,899	5.25 years
Tapout Muscle Recovery patent and license and tradename - September 2014	125,000	(6,579)	118,421	6.33 years
Total other intangible assets	\$ 127,500	\$ (7,180)	\$ 120,320	

Amortization expense recognized in the amount of \$20,212 and \$7,055 for the years ended December 31, 2015 and 2014, respectively.

The expected future annual amortization expense for each of the next five years based on current balances of our intangible assets is as follows:

For the year ending December 31:

2016	\$ 20,213
2017	\$ 20,213
2018	\$ 20,213
2019	\$ 20,213
2020	\$ 19,734
Thereafter	\$ 19,734

DINs License Agreement

The Company licensed certain patents from Blue Ivory, Inc. in connection with a 2010 agreement, which is being capitalized and amortized by straight-line methods over estimated useful lives of ten years. The Company agreed to a \$5,000,000 license fee payable in quarterly installments of \$125,000 payable over a ten year period.

Impairment

The Company completed a discounted cash flow analysis to determine if the carrying value on the books was reasonable for the Blue Ivory license agreement as of December 31, 2013. The Company utilized financial projections based on current and future opportunities and relationships with existing customers and distributors. The Company determined that there was a material impairment of DIN's license agreement and recorded an impairment of the unamortized intangible of \$4,875,000. The Company determined the material impairment was due to the lack of financial resources to retain current and market future customers. The acquisition of the TapouT Muscle recovery license in October 2013 reprioritized the Company's financial resources. The Company intends to pursue opportunities with the license agreement upon acceptable funding to pursue the business model.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 5—NOTES PAYABLE

Notes payable at December 31, 2015 and 2014 are summarized as follows:

	December 31, 2015	December 31, 2014
Canadian Heritage, Ltd.	\$ 66,363	\$ 38,765
Ramos & Ramos Investments, Inc. - 2010	39,632	132,913
Ramos & Ramos Investments, Inc. - 2012	56,067	531,642
Ramos & Ramos Investments, Inc. - 2015 Advances	126,500	-
Beaufort	-	250,000
Ramm Ventures Development, Inc.	-	107,746
	288,562	1,061,066
Current Portion	<u>288,562</u>	<u>1,061,066</u>
Total Non-Current	<u>\$ -</u>	<u>\$ -</u>

Ramos and Ramos Investments, Inc.- October 25, 2010

On October 25, 2010, the Company entered into a note payable with Ramos and Ramos Investments Inc. The note bears interest at a 12% per annum interest rate. The note was due and matured on December 31, 2014. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The holder of the note has the right to convert the full or any portion of the principal and accrued but unpaid interest into shares of common stock. Furthermore, the note holder did not request a default upon the due date of the date.

The Company converted \$100,000 of principal and accrued interest resulting in a loss of extinguishment of debt of \$800,000 and \$972,000 in the year ended December 31, 2015 and 2014, respectively.

The principal balance of the note amounted to \$0 and \$84,000 and accrued interest of \$39,632 and \$48,913 as of December 31, 2015 and 2014, respectively.

Ramos and Ramos Investments, Inc.- June 11, 2012

On June 11, 2012, the Company entered into a note payable with maximum lending amount of \$500,000 with Ramos and Ramos Investments Inc. a maximum of lending amount of \$500,000 could be advanced within the first six months of the note. The note bears interest at a 12% per annum interest rate. The note cannot be paid off in full before January 1, 2015 or the completion of a public offering by the Company. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The holder of the note has the right to convert the full or any portion of the principal and accrued but unpaid interest into shares of common stock. On March 13, 2015, the holders of the note amended the conversion price to \$0.01 per share.

The Company converted \$75,000 of principal resulting in a loss of extinguishment of debt of \$270,000 in the year ended December 31, 2015. Furthermore, Ramos and Ramos assigned \$480,000 of principal and accrued interest to certain investors. The balance of the note includes accrued interest of approximately \$56,067 and \$134,909 as of December 31, 2015 and 2014, respectively.

Ramos and Ramos Investments, Inc.- 2015 Advances

In the year ended December 31, 2015, Ramos and Ramos Investments, Inc. advanced \$126,500 of funds for working capital and repayment of certain loans payable. There are no specified terms to the advances.

Canadian Heritage Ltd.

The Company entered into a note payable with Canadian Heritage Ltd. The loan is not interest bearing and cannot be called prior to January 1, 2015. The balances of the note payable as of December 31, 2015 and 2014 is \$38,765 and \$76,086, respectively.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 5— NOTES PAYABLE (continued)

RAMM Ventures Development, Inc.

On October 3, 2013 the Company entered into a \$200,000 note payable with RAMM Venture Developments Inc. The note bears interest at 12% annually. The earliest the note can become due and payable is December 31, 2014 if a private placement funds are received at which time the note repayment can be accelerated. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The Note is secured by 5,000,000 shares of the Company's Common Stock personally owned by the Company's CEO. On January 15, 2015, the holders of the note amended the conversion price to \$0.01 per share. On April 22, 2015, Redwood Capital assumed the RAMM Ventures note payable and the Company exchanged the note and accrued interest for a convertible debenture maturing on November 15, 2016. The balance of the note payable as of December 31, 2014 is \$107,746.

Beaufort

On June 9, 2014, the Company issued Beaufort a secured promissory note in the principal amount of \$250,000. The promissory note matures six months from the date the Company receives the full amount of the Note on January 24, 2015. The note bears interest at 1% per month compounded monthly.

On January 20, 2015 and February 13, 2015, Beaufort Capital Partners, LLC was repaid \$125,000 of the note payable and the remaining is to be paid on the 15th of each month at \$20,000 per month plus \$5,000 penalty per month until paid in full. The note was repaid in September 2015.

NOTE 6—NOTES PAYABLE –RELATED PARTY

Notes payable party, including accrued interest, related at December 31, 2015 and 2014 are summarized as follows:

	December 31, 2015	December 31, 2014
Shareholders loans payable	\$ 60,266	\$ 55,045
Blue Ivory Holdings, Inc.	1,140,822	1,040,822
	<u>1,201,088</u>	<u>1,095,867</u>
Current Portion	1,201,088	1,095,867
Total Non-Current	<u>\$ -</u>	<u>\$ -</u>

Shareholder Loans payable

The Company entered into loans payable with shareholders for general working capital purposes. The loan from stockholders are non interest bearing and due on demand. The balances of the note payable as of December 31, 2015 and 2014 is \$60,266 and \$55,045, respectively.

Blue Ivory Holdings, Inc.

On August 4, 2014, the Company issued Blue Ivory Holdings, Inc. a note payable in the amount of \$1,000,000 in exchange for the return and cancellation of 12,500,000 shares of the Company's stock issued as collateral under a license agreement. In 2010, Blue Ivory was transferred ownership of the shares as collateral in conjunction with a restructuring of the Company's equity and the corresponding Blue Ivory agreement. In August 2014, the Company was in need of additional financing to which reducing the number of shares outstanding was a condition. Furthermore, as of January 1, 2014, Blue Ivory had the ability to sell 1% of the 25 million shares quarterly upon an event of default, however, the Company negotiated the agreement to return the 12,500,000 shares to the Company in August 2015.

The Note matures one year from the date of the Note. The note bears interest at 10% annually and for the year ended December 31, 2015 and 2014 accrued and expensed interest amounted to \$140,822 and \$40,822, respectively.

The note payable was extended for a six month period due on February 4, 2016.

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreements until April 1, 2017 (See note 17).

AXCESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE

Convertible promissory notes, including accrued interest, at December 31, 2015 and 2014 are as follows:

	2015	2014
WHC Investments, Inc. convertible promissory note payable, net of original issuance discount of \$0 and \$42,818, warrant feature of \$0 and \$59,679 and debt discount feature of \$0 and \$111,592 as of December 31, 2015 and December 31, 2014, respectively.	\$ -	\$ 98,411
RBB Capital, WHC assignment, including accrued interest of \$21,930	139,618	-
Ramos and Ramos, WHC assignment, including accrued interest of \$18,644	207,894	-
Redwood Capital, February 5, 2015, including accrued interest of \$7,534 and net of original issuance discount of \$493 and debt discount of \$8,710	98,331	-
Redwood Capital, April 22, 2015, including accrued interest of \$11,809, net of original issuance discount of \$2,702 and debt discount of \$49,583	134,524	-
Redwood Capital, October 8, 2015, including accrued interest of \$1,136 and net of original issuance discount of \$1,926 and debt discount of \$38,525	13,185	-
Redwood Capital, November 13, 2015, including accrued interest of \$556 and net of original issuance discount of \$1,841 and debt discount of \$36,154	15,062	-
Redwood Capital, November 13, 2015, including accrued interest of \$789 and net of debt discount of \$31,725	9,296	-
Redwood Global Fund III, August 14, 2015, including accrued interest of \$2,399 and net of original issuance discount of \$1,861 and debt discount of \$29,227	34,312	-
18 River North Equity, LLC., February 17, 2015, including accrued interest of \$3,908 and net of debt discount of \$5,707	73,202	-
18 River North Equity, LLC., April 6, 2015, including accrued interest of \$3,427 net of original issuance discount of \$1,045 and debt discount of \$13,778	66,104	-
Ramos and Ramos, May 15, 2015, including accrued interest of \$6,685	106,685	-
GHS Investments, July 21, 2015, including accrued interest of \$3,459 and net of debt discount of \$26,582	76,877	-
Blackridge Capital, November 17, 2015 including accrued interest of \$151 and net of debt discount of \$3,636	681	-
Convertible promissory note payable, net	\$ 975,771	\$ 98,411

We evaluated the convertible promissory notes transactions in accordance with ASC Topic 815, Derivatives and Hedging, and determined that the conversion feature of the convertible promissory notes were not afforded the exemption for conventional convertible instruments due to their respective variable conversion rate. The notes have no explicit limit on the number of shares issuable so they did not meet the conditions set forth in current accounting standards for equity classification. The Company recorded a derivative liability representing the imputed interest associated with the embedded derivative. The derivative liability is adjusted periodically according to the stock price fluctuations.

WHC Investments, Inc./WHC Assignment

On November 4, 2014, the Company entered into a note payable with WHC Investments, LLC. The note \$312,500 includes \$62,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matured on May 4, 2015 and was secured by 3,500,000 shares of Company common stock owned by the Company's Chief Executive Officer. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 70% of the average three daily volume weighted averages during the 20 days before the issue date.

The agreement included a detachable three (3) year warrant to purchase 1,000,000 shares of the Company's common stock at an exercise price of \$.25535 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. The Company recorded an original issue discount of \$62,500 and amortized as interest expense over the initial six-month term of the convertible debentures.

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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

WHC Investments, Inc./WHC Assignment (continued)

A portion of the proceeds were allocated to the warrants based on their relative fair value using the Black Scholes option pricing model. The debt conversion feature and warrants assumptions used in the Black-Scholes model were as follows: (1) dividend yield of 0%; (2) expected volatility of 89%, (3) weighted average risk-free interest rate of 0.97%, (4) expected life of 3 years, and (5) fair value of common stock of \$0.19 per share. The expected term of the warrants represents the estimated period of time until exercise and is based on historical experience of similar awards and giving consideration to the contractual terms. The amounts attributable to the warrants aggregate to \$87,112, was recorded as a discount and deducted from the face value of the convertible promissory note payable and recorded as equity in additional-paid-in-capital.

During the year ended December 31, 2015, the Company recognized interest expense of \$42,818 as a result of the original issue discount amortization, \$59,679 in the amortization of warrant feature of the convertible debenture and \$111,592 in the amortization of the debt discount, respectively.

In the year ending December 31, 2015, the note payable was assigned to Ramos and Ramos Investments, Inc. and RBB Capital. as noted below.

WHC Assignment/RBB Capital

On May 27, 2015, WHC Investments, Inc. assigned \$175,000 to RBB Capital pursuant to the terms of the \$312,500 WHC Convertible Promissory note, dated November 4, 2014. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 70% of the average three daily volume weighted averages during the 20 days before the issue date. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount which was recognized as interest expense in the amount of \$12,190 during the year ending December 31, 2015.

The note originally matured on May 4, 2015, however, was extended in the assignment agreement until July 27, 2015 and secured by 1,000,000 shares of Company common stock owned by the Company's Chief Executive Officer. On July 28, 2015, the Company agreed to extend the note until November 4, 2015 and an inducement increase the principal balance by \$87,500 in liquidated damages to a principal balance of \$262,500. Concurrently, the Company and the Company's CEO agreed to the foreclosure upon the 1,000,000 collateral shares for a reduction of principal of \$62,500 recorded as additional-paid-in-capital.

In the year ending December 31, 2015, the lender converted the \$82,312 of principal into 20,830 shares of common stock at a fair market value of \$166,039 and recorded an extinguishment of debt expense of \$83,728. The principal balance amounted to \$117,688 and accrued interest of \$21,930 as of December 31, 2015.

WHC Assignment/Ramos and Ramos

On May 27, 2015, WHC Investments, Inc. assigned \$175,000 to Ramos and Ramos Investments pursuant to the terms of the \$312,500 WHC Convertible Promissory note, dated November 4, 2014. The assigned note was modified to increase the principal balance due by \$37,500 included as an expense in the Financing costs and liquidated damages on the Statement of Operations. The note was due and payable on July 27, 2015. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 65% of the average three daily volume weighted averages during the 20 days before the issue date. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount which was recognized as interest expense in the amount of \$12,190 during the year ending December 31, 2015

The note originally matured on May 4, 2015, however, was extended in the assignment agreement until July 27, 2015 and secured by 1,000,000 shares of Company common stock owned by the Company's Chief Executive Officer. On July 28, 2015, the Company agreed to extend the note until November 4, 2015 and an inducement increase the principal balance by \$87,500 in liquidated damages to a principal balance of \$262,500. Concurrently, the Company and the Company's CEO agreed to the foreclosure upon the 1,000,000 collateral shares for a reduction of principal of \$62,500 recorded as additional-paid-in-capital.

In the year ending December 31, 2015, the lender converted the \$10,750 of principal into 10,000 shares of common stock at a fair market value of \$58,050 and recorded an extinguishment of debt expense of \$83,728. The principal balance amounted to \$189,250 and accrued interest of \$18,644 as of December 31, 2015.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

RDW Capital, LLC.

On February 5, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$100,000 note payable includes \$5,000 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on February 5, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$79,506 and \$4,506 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$98,331 comprised of principal balance amounted to \$100,000 and accrued interest of \$7,534, and net of remaining debt discount of \$8,710 and original issue discount of \$493.

On February 5, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$200,000 bears interest at a 10% per annum interest rate. The note matured on September 5, 2015. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$200,000 of principal into 1,875 shares of common stock at a fair market value of \$603,125 and recorded an extinguishment of debt expense of \$403,125 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$152,372 during the year ending December 31, 2015.

On April 22, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$175,000, includes \$8,750 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on April 22, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$111,013 and \$6,049 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$152,451 comprised of principal balance amounted to \$175,000 and accrued interest of \$11,809, and net of remaining debt discount of \$49,583 and original issue discount of \$2,702.

On April 22, 2015, Redwood Capital was assigned a note payable from RAMM Ventures, LLC. in the amount of \$160,000 including accrued interest of \$35,015. The note bears interest at a 10% per annum interest rate and matures on November 22, 2015. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. In the year ending December 31, 2015, the lender converted the \$160,000 of principal and accrued interest into 1,516 shares of common stock at a fair market value of \$281,774 and recorded an extinguishment of debt expense of \$121,774 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$51,982 during the year ending December 31, 2015, respectively.

On October 8, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on October 8, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$11,475 and \$574 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$13,185 comprised of principal balance amounted to \$52,500 and accrued interest of \$1,136, and net of remaining debt discount of \$38,525 and original issue discount of \$1,926.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

On October 9, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$75,000 from Ramos & Ramos Investments Ltd. June 2012 note payable and bears interest at a 10% per annum interest rate. The note matures on April 9, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) discount to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$75,000 of principal into 7,076 shares of common stock at a fair market value of \$209,223 and recorded an extinguishment of debt expense of \$134,223. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$74,031 during the year ending December 31, 2015.

On November 13, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on May 13, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$13,846 and \$659 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$15,062 comprised of principal balance amounted to \$52,500 and accrued interest of \$556, and net of remaining debt discount of \$36,154 and original issue discount of \$1,841.

On November 13, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$80,000 from Ramos & Ramos Investments, Ltd. June 2012 note payable and bears interest at a 10% per annum interest rate. The note matures on May 13, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) discount to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$39,768 of principal into 40,820 shares of common stock at a fair market value of \$218,115 and recorded an extinguishment of debt expense of \$178,347. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$31,359 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$9,296 comprised of the remaining principal balance amounted to \$40,232 and accrued interest of \$789, and net of remaining debt discount of \$31,725.

Redwood Global Fund III

On August 14, 2015, the Company entered into a note payable with Redwood Global Fund III. The agreement exchanged notes of \$63,000, includes \$3,000 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on August 14, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$17,897 and \$1,139 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$34,312 comprised of principal balance amounted to \$63,000 and accrued interest of \$2,399, and net of remaining debt discount of \$29,227 and original issuance discount of \$1,861.

18 River North Equity, LLC.

On February 17, 2015, the Company entered into a convertible note payable with River North Equity, LLC. in an aggregate principal amount of \$75,000. The note payable bears interest at a 6% per annum. Any amount of the principal or interest not paid when due shall bear interest at the rate of 16% per annum from the due date thereof until paid and is subject to a penalty of 5% of the outstanding principal and accrued interest. The note matures on February 17, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (70%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$37,687 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$73,202 comprised of principal balance amounted to \$75,000 and accrued interest of \$3,909, and net of remaining debt discount of \$5,707.

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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

18 River North Equity, LLC. (continued)

On April 6, 2015, the Company entered into a convertible note payable with River North Equity, LLC. in an aggregate principal amount of \$77,500 including \$4,375 of original issuance discount. The note payable bears interest at a 6% per annum. Any amount of the principal or interest not paid when due shall bear interest at the rate of sixteen percent (16%) per annum from the due date thereof until paid and is subject to a penalty of five percent (5%) of the outstanding principal and accrued interest. The note matures on February 17, 2016 and is secured and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$38,208 and \$2,830 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$66,104 comprised of principal balance amounted to \$77,500 and accrued interest of \$3,427, and net of remaining debt discount of \$13,778 and original issuance discount of \$1,045.

Ramos and Ramos

On May 15, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with Ramos and Ramos Investments, Inc. The note payable bears interest at a 12% per annum. The note matures on November 15, 2015 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the lowest bid price in the five (5) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$71,287 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$106,685 comprised of principal balance amounted to \$100,000 and accrued interest of \$6,685.

RBB Capital, LLC.

On May 18, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with RBB Capital, LLC. in exchange for the assumption of \$100,000 of the Ramos and Ramos note payable dated June 11, 2012. The note payable bears interest at a 12% per annum. The note matures on February 18, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. During the year ending December 31, 2015, the lender fully converted \$100,000 of the principal and \$1,089 in accrued interest into 1,881 shares of common stock at a fair market value of \$201,543 and recorded an extinguishment of debt expense of \$100,453 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$63,072 during the year ending December 31, 2015.

GHS Investments, Inc.

On July 21, 2015 the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with GHS Investments, Inc. of which proceeds were received between August 15, 2015 and November 23, 2015. The note payable bears interest at a 12% per annum and any amount of the principal or interest not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until paid. The note matures nine months upon receipt by the Company. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (65%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$15,987 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$76,877 comprised of principal balance amounted to \$100,000 and accrued interest of \$3,459, and net of remaining debt discount of \$26,582.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

Blackridge Capital

On November 17, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$25,000 with Blackridge Capital, exchange for the assumption of \$25,000 of the Ramos and Ramos note payable dated June 11, 2012. The note payable bears interest at 5% per annum. The note matures on November 17, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (70%) of the volume-weighted averages the ten (10) days preceding the date of conversion subject to an adjustment if upon the twenty (20) trading days commencing on the delivery of conversion shares is subject to a lower conversion price. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$3,005 during the year ending December 31, 2015.

In the year ending December 31, 2015, the lender converted the \$20,833 of principal into 16,667 shares of common stock at a fair market value of \$90,017 and recorded an extinguishment of debt expense of \$69,184. The balance as of December 31, 2015 amount to \$681 comprised of principal balance amounted to \$4,166 and accrued interest of \$151, and net of remaining debt discount of \$3,636.

NOTE 8 – EQUITY

At December 31, 2015, the Company's authorized stock consists of 20,000,000 shares of \$.0001 par value preferred stock and 1,000,000,000 shares of \$.0001 par value common stock. The common stock has voting rights and entitle to one vote per share.

Of the 20,000,000 shares of preferred stock 20,000,000 shares are issued and outstanding as of December 31, 2015 and 2014. On April 15, 2015, the Company entered into a certificate of designation with the State of Nevada designating the preferred shares as Series A Preferred with a \$1.00 liquidation preference and no dividend rights. The preferred stock has voting rights, regardless of the number of shares outstanding, representing 80% of all votes entitled to be voted.

On February 16, 2016, the Company effectuated a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500. Upon the effectiveness of the Reverse Stock Split, which occurred on February 16, 2016, the Company's issued and outstanding shares of common stock was decreased from approximately 870,088,000 to 348,000 shares, all with a par value of \$0.0001. Accordingly, all share and per share information has been restated in this Report to retroactively show the effect of the Reverse Stock Split.

On January 6, 2016, the Company amended the Articles of Incorporation to increase authorized common shares from 250,000,000 to 1,000,000,000 shares.

On August 12, 2015, the Company amended the Articles of Incorporation to increase authorized common shares from 150,000,000 to 250,000,000 shares.

On May 4, 2015, the Company amended the Articles of Incorporation to increase authorized common shares from 100,000,000 to 150,000,000 shares.

The following common stock transactions occurred during 2014:

On January 22, 2014 the Company entered into a Stock Purchase Agreement with Equity Portfolio Funding, Inc. whereby the Company sold 300 shares of common stock at a purchase price of \$250 per share for a total purchase price of \$75,000. The agreement also calls for the Company to issue to Equity Portfolio Funding, Inc. a half warrant, or 150 warrants, to purchase further common stock of the Company for up to two years at \$1,250 per share.

On January 22, 2014, the Company issued 40 shares valued at \$250 per share for cash.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 8 – EQUITY (Continued)

On January 28, 2014, the Company issued 400 valued at \$225 for cash in conjunction with a license distribution agreement amounting to proceeds of \$90,000.

On March 17, 2014, the Company issued 80 shares valued at \$250 per share for cash.

On January 30, 2014, the company and Revive Bioscience, Inc. amended the September 13, 2014 acquisition agreement whereby the Revive Bioscience, Inc. shareholders returned 1,290 shares to the Company subject to conditions related to transferring NPN's and indemnification of certain outstanding liabilities. The Company recorded a common stock payable at \$0.0001 par value of \$0.13. In June 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders upon settlement of the conditions.

On April 15, 2014, the Company issued 80 shares valued at \$250 per share for cash. The agreement also calls for the Company to issue the investor a half warrant, or 40 warrants, to purchase further common stock of the Company for up to one years at \$1,250 per share.

On May 19, 2014, the Company entered into a Securities Purchase Agreement with Seaside 88, LP, a Florida limited partnership, or Seaside, pursuant to which the Company will issue and sell to Seaside up to 2,000 shares of its common stock. The Company issued 234 shares at \$375 per share on May 20, 2014, 367 shares at \$375 per share on June 20, 2014, and 336 shares at \$299 per share on July 21, 2014, respectively.

On June 24, 2014, the Company issued 360 shares valued at \$250 per share for cash.

On July 22, 2014, the Company issued 40 shares valued at \$250 per share for cash.

On August 4, 2014, the Company cancelled 5,000 shares issued as collateral under a license agreement in exchange for a note payable.

On August 26, 2014, the Company issued 400 shares valued at \$250 per share for cash.

On September 18, 2014, the Company issued 1,600 shares valued at \$610 per share to convert \$4,000 of principal on loan from related party to equity.

On October 9, 2014, the Company issued a total of 200 shares valued at \$500 per share amounted to \$100,000 in to AGB Tapout in conjunction with the related license agreement.

On November 5, 2014, the Company issued 400 shares valued at \$475 per share to the Company Chief Executive Officer for consulting services.

On December 3, 2014, the Company issued 89 shares valued at \$225 per share for \$20,000 upon the exercise of warrants.

During the year end December 31, 2014, the Company issued 997 shares of common stock related to professional services provided by third parties. There were 851 shares of common stock valued at approximately \$475,576 issued to product marketing organizations and celebrity product sponsors and 146 shares of common stock issued to financial consultants valued at \$78,950.

The following common stock transactions occurred during 2015:

On January 9, 2015, the Company entered into a side letter to the Securities Purchase Agreement with Seaside 88, LP to extend the reporting company requirement to March 30, 2015, pursuant to which the Company issued 40 shares to Seaside for the extension.

On January 14, 2015, the Company issued, a third party, 1,000,000 shares valued at \$0.10 per share for cash pursuant to a loan agreement amounting to \$18,500.

On January 21, 2015, Beaufort Capital Partners, LLC, a third party, were issued 80 shares in exchange for an extension of the secured promissory note amounting to \$44,000 and recorded a liquidated damages expense during the year ending December 31, 2015.

On January 30, 2015, Core Biotech PTY, a third party, 240 shares pursuant to a consulting agreement amounting to \$99,000 and recorded as stock based compensation during the year ending December 31, 2015.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 8 – EQUITY (Continued)

In February and March 2015, 1,875 shares were issued to Redwood Capital LLC, a third party, for the conversion of \$200,000 of convertible notes to Redwood Capital LLC at a fair market value of \$603,125 and recorded an extinguishment of debt expense of \$403,125 during the year ending December 31, 2015.

On February 13, 2015, 120 shares were issued to Beaufort Capital Partners LLC in exchange for an extension of the secured promissory note amounting to \$48,000 and recorded a liquidated damages expense during the year ending December 31, 2015.

On March 12, 2015, 100,000 shares were issued to Seaside 88 LP, a third party, pursuant to an extension of a share purchase agreement. On January 9, 2015, the Company entered into a side letter to the Securities Purchase Agreement with Seaside 88, LP to extend the reporting company requirement to March 30, 2015, pursuant to which the Company issued 100,000 shares to Seaside for the extension. Therefore, as of January 16, 2015 and December 31, 2014, the Company has not accrued any liquidated damages. However, if the Company does not become a reporting company by March 30, 2015, the Company will commence to accrue liquidated damages until it becomes a reporting company which may adversely affect our results of operations. The Company is currently not a reporting company as of April 21, 2016.

On March 18, 2015 and June 16, 2015, 49 shares were issued to Ramel Shorte & Associates, a third party, in exchange for investment Banking Services and recorded \$10,069 as financing costs during the year ending December 31, 2015.

On March 25, 2015, 1,600 shares were issued in exchange for the conversion of \$40,000 of convertible notes to Ramos & Ramos Investments at a fair market value of \$360,000 and recorded an extinguishment of debt expense of \$320,000 during the year ending December 31, 2015.

On April 15, 2015, 2,400 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos & Ramos Investments, a third party, at a fair market value of \$540,000 and recorded an extinguishment of debt expense of \$480,000 during the year ending December 31, 2015.

In April and May 2015, the Company issued 1,516 shares in exchange for the conversion of \$160,000 of convertible notes to Redwood Capital LLC. at a fair market value of \$281,774 and recorded an extinguishment of debt expense of \$121,774 during the year ended December 31, 2015.

On June 2, 2015, 2,400 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos & Ramos Investments at a fair market value of \$282,000 and recorded an extinguishment of debt expense of \$222,000 during the year ended December 31, 2015.

In June and July 2015, the Company issued 1,881 shares in exchange for the conversion of \$100,000 of convertible notes to RBB Capital LLC, a third party, at a fair market value of \$201,543 and recorded an extinguishment of debt expense of \$100,453 during the year ending December 31, 2015.

In June 2015, the Company issued 140 shares to a third party in exchange for \$14,000 of advertising services.

On June 16, 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders, a related party, in accordance with the amended agreement dated January 30, 2014. The shares had been recorded at \$0.13 at par value of \$0.0001 per share in common stock payable.

In July 2015, the Company issued 3,000 shares in exchange for the conversion of \$75,000 of convertible notes to Ramos and Ramos Investments, Inc. at a fair market value of \$345,000 and recorded an extinguishment of debt expense of \$270,000 during the year ending December 31, 2015.

In July 2015, the Company issued 3,373,247 shares in exchange for the conversion of \$60,955 of convertible notes to RBB Capital LLC at a fair market value of \$141,623 and recorded an extinguishment of debt expense of \$80,749 during the year ending December 31, 2015.

In October and November 2015, the Company issued 7,076 shares in exchange for the conversion of \$75,000 of convertible notes to Redwood Capital, a third party, at a fair market value of \$209,223 and recorded an extinguishment of debt expense of \$134,223 during the year ending December 31, 2015.

In November and December 2015, the Company issued 23,230 shares in exchange for the conversion of \$82,312 of convertible notes to RBB Capital LLC, a third party, at a fair market value of \$166,039 and recorded an extinguishment of debt expense of \$83,727 during the year ending December 31, 2015.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 8 – EQUITY (Continued)

In November and December 2015, the Company issued 40,820 shares in exchange for the conversion of \$39,768 of convertible notes to Redwood Capital, a third party, at a fair market value of \$218,115 and recorded an extinguishment of debt expense of \$178,347 during the year ending December 31, 2015.

In December 2015, the Company issued 16,667 shares in exchange for the conversion of \$20,833 of convertible notes to Blackridge Capital, a third party, at a fair market value of \$90,016 and recorded an extinguishment of debt expense of \$69,184 during the year ending December 31, 2015.

In December 2015, the Company issued 8,600 shares in exchange for the conversion of \$10,750 of convertible notes to Ramos and Ramos Investments, Inc. at a fair market value of \$58,050 and recorded an extinguishment of debt expense of \$47,300 during the year ending December 31, 2015.

NOTE 9 – WARRANTS

Warrants

The following table summarizes the changes in the warrants outstanding at December 31, 2015, and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were issued in lieu of cash compensation for services performed or financing expenses and in connection with the private placements.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ 1,250.00	190	\$ 1,250.00	0.11	190	\$ 1,250.00
\$ 638.38	400	\$ 638.38	1.84	400	\$ 638.38
	<u>590</u>		<u>1.28</u>	<u>590</u>	

A summary of the Company's stock awards for warrants as of December 31, 2015 and changes for the year ended December 31, 2015 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2014	-	\$ -
Granted	990	588.74
Exercised	(89)	224.72
Expired/Cancelled	(311)	224.72
Outstanding, January 1, 2015	590	\$ 835.34
Granted	-	-
Exercised	-	-
Expired/Cancelled	-	-
Outstanding, December 31, 2015	590	835.34
Exercisable, December 31, 2015	590	835.34

On November 4, 2014 and in conjunction with the WHC Capital Note Agreement (Note 7), the Company issued detachable three (3) year warrant to purchase 400 shares of the Company's common stock at an exercise price of \$638.38 per share.

During the year ended December 31, 2014, the Company entered into a Stock Purchase Agreement with certain investors (Note 8) whereby the Company issued 190 warrants to purchase further common stock of the Company for up to two years at \$1,250 per share.

The Company entered into an agreement with Hardcore Beverage in December 2013 issuing 400 warrants to purchase shares of the Company's common stock at a discount of 50% of the average trading price over the most recent 30-day period of \$225.00. The term of the warrants were one year. In December 2014, Hardcore exercised 89 warrants at a value of approximately \$224.72 per share for proceeds of \$20,000 and the remaining warrants expired.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 10 – ACQUISITION

On September 13, 2013 the Company through its wholly owned subsidiary Allstar Health Brands, enter into an assets purchase agreement with Revive Bioscience Inc. The Company acquired assets related to the distribution of Tapout Products including DINS of TapouT pain relief products as well as trademarks, website, remaining finished goods inventory of Tapout products as well customer lists and intellectual products associated with the Tapout brand name. The purchase price included \$52,000 cash used to pay-off outstanding accounts payable of Revive Bioscience as of the closing date and 2,580 shares of common stock valued at \$1,200 per share at the closing date of the transaction.

Based on the fair value of assets received compared to the fair market value of the consideration give the \$52,000 cash and fair value of common stock \$3,096,000 (2,580 shares at \$1,200 per share). The company recorded expenses of as excess consideration paid over fair value of assets received of \$3,119,731.

Under the terms of the agreement the seller can receive an additional 2,500,000 shares of common stock is certain private placement funding levels are reached as well as specified revenue goals related to the sale of TapouT products achieved with a eighteen months period commencing September 13, 2013.

On January 30, 2014, the company and Revive Bioscience, Inc. amended the September 13, 2014 acquisition agreement whereby the Revive Bioscience, Inc. shareholders returned 1,290 shares to the Company subject to conditions related to transferring NPN's and indemnification of certain outstanding liabilities. The Company recorded a common stock payable at the \$0.001 par value of \$0.13. In June 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders upon settlement of the conditions.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures about fair value of financial instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2015, the amounts reported for cash, accrued interest and other expenses, notes payables, and derivative liability approximate the fair value because of their short maturities.

Fair value is defined as 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. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at December 31, 2015:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Liabilities				
Derivative and warrant liability	-	-	-	1,375,634
Total liabilities measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,634</u>

The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Beginning balance as of December 31, 2014	\$ 6,016,242
Fair value of derivative liabilities issued	1,286,501
Gain on change in derivative liability	(5,927,109)
Ending balance as of December 31, 2015	<u>\$ 1,375,634</u>

The following tables set forth a description of the financial instruments classified as derivative liabilities as of December 31, 2015 and the assumption used to value the instruments.

Convertible Debentures

The derivative liabilities related to the embedded conversion feature were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	Embedded Conversion Feature	Embedded Conversion Feature
Risk free interest rate	0.49% to 0.65%	0.12%
Expected volatility (peer group)	198.87% to 237.86%	89.10%
Expected life (in years)	0.10 to .88	0.50
Expected dividend yield	-	-
Number outstanding	446,024	24,047

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 12 – LOSS PER SHARE

The following table presents the computations of basic and dilutive loss per share:

	2015	2014
Net Income (Loss)	\$ (25,906)	\$ (9,816,357)
Net income (loss) per share:		
Net income (loss) per share – basic and diluted	\$ (0.70)	\$ (433.68)
Weighted average common shares outstanding – basic and diluted	36,639	22,538

For the year ended December 31, 2015 and 2014 common stock equivalents totaling 491,253 and 55,175, respectively, related to warrants, convertible debt and preferred stock were excluded from the calculation of the diluted net loss per share as their effect would have been anti-dilutive.

NOTE 13 — INCOME TAXES

As of December 31, 2015, the Company had net operating loss carry forwards of approximately \$35,087,000 that may be available to reduce future years' taxable income in varying amounts through 2033. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The provision for Federal income tax consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Federal income tax benefit attributable to:		
Current operations	\$ 8,000	3,338,000
Less: valuation allowance	(8,000)	(3,338,000)
Net provision for Federal income taxes	\$ -	-

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 11,928,000	11,920,000
Less: valuation allowance	(11,928,000)	(11,920,000)
Net deferred tax asset	\$ -	-

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur net operating loss carry forwards may be limited as to use in future years.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 14 — LICENSING AGREEMENT

Blue Ivory Holdings, Inc.

On October 1, 2012, the Company entered into a licensing agreement with Blue Ivory Holdings Inc. The Licensing agreement relates to the development, market, make, use and sell, certain drug formulations know as DINS. The terms of the agreement require a total payment of \$5,000,000 consisting of being paid quarterly payments of \$125,000 over ten year period as well as royalty payment to Blue Holdings of 5% on all net sales by the Company and a 10% royalty fee for Sublicense fees paid to Blue Ivory Holding on account of sublicenses for the sale of licensed products. The balance due on the license fee payable amounts to \$5,000,000 as of December 31, 2015 and 2014, respectively.

In conjunction with the Blue Ivory agreement, a former shareholder agreed to transfer 20 million preferred shares previously outstanding as collateral to Blue Ivory. The business and equity structure of the Company were reorganized to provide sufficient collateral for the license agreement. These shares continue to be held by Blue Ivory in accordance with the agreement.

Concurrently, 25 million shares of common stock was issued by the Company to Blue Ivory on a collateral basis until the license fee has been paid in full. The Company issued the shares directly to Blue Ivory in lieu of a trust agreement and Blue Ivory has the right to sell 1% of their 25 million shares quarterly, as of January 1, 2014, in the event of a default. The transferred shares continue to be held by Blue Ivory, a related party, in accordance with the agreement.

On August 4, 2014, the Company issued Blue Ivory Holdings, Inc. a note payable in the amount of \$1,000,000 in exchange for the return and cancellation of 5,000 shares of the Company's stock issued as collateral under a license agreement (see Note 7).

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreement until April 1, 2017 (See subsequent note 17).

Hardcore Beverage

On September 30, 2015, the Company provided HardCore Beverages a termination notification of its commercial relationship due to non-compliance with the terms of the international distribution agreement.

ABG Tapout, LLC.

On October 1, 2013, the Company entered into a license agreement with ABG Tapout, LLC to provide for the termination of the Revive BioScience's agreement with ABG TapouT, originally dated April 29, 2011, which the Company assumed in the acquisition agreement dated September 13, 2013 (see Note 10) and to utilize the TapouT word mark and the TapouT logo on specified products, to manufacture and sell the specified products, and utilize the website for purposes of selling the specified products. The license agreement was initially sell a pain relief product line including, topical pain relief towelettes, topical All-Natural Pain relief spray, as well as a pre- and post- workout natural supplement to enhance muscle growth and recovery.. The license term is five years through December 31, 2018 and provided the Company is not in breach of the agreement shall have the option to extend the licenses agreement for two five year terms. Pursuant to the agreement the Company must pay ABG Tapout, LLC 5% royalty on net sales, the company must also maintain certain agreed upon sales levels set out in the agreement in order to maintain the license.

On September 1, 2014, the Company entered into an amended agreement to expand the product selection rights to produce and market exclusively, on a world-wide basis, vitamins, minerals, and a full line of protein products including protein powder, protein Read-to-Drink meal replacements and protein bars. The term of the agreement extended for an additional two years through December 31, 2020. In consideration for the amended terms, ABG Tapout, LLC was issued Company common stock of 500,000 shares on October 9, 2014 at a fair market value of \$0.20 per share valued of \$100,000 and a fee of \$25,000.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 14 — LICENSING AGREEMENT (Continued)

The initial term of the agreement provides for an annual minimum guaranteed royalty, a minimum common marketing fund and an advertising commitment of 1% of net sales. The following are the remaining annual minimum commitments required:

Year	Royalty	Marketing
2013	\$ 30,000	\$ -
2014	\$ 70,000	\$ 14,000
2015	\$ 77,500	\$ 22,728
2016	\$ 165,000	\$ 45,455
2017	\$ 170,000	\$ 45,455
2018	\$ 175,000	\$ 45,455
2019	\$ 200,000	\$ 75,000
2020	\$ 225,000	\$ 100,000

NOTE 15 — CONSULTING AGREEMENT

SG Business

On February 27, 2014 the Company entered into a consulting agreement with SG Business development will perform consulting services related to distribution and marketing channels regarding the Company’s nutritional supplement product lines. The contract term is a one year period beginning January 22, 2014 and 100,000 shares were issued at a fair market value of \$30,000.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Consulting Agreements

On July 1, 2013 the Company entered into a consulting agreement with Global Health Link Corp (“Consultants”). The Consultants will perform the duties of a Vice President of Marketing for the Company. The term of the agreement is for three years with the option of a three year renewal. The agreement can be cancelled by either party by giving a thirty day notice. Upon signing this agreement the Company will issue to the Consultants 250,000 shares of the Company’s common stock. Once the Company receives outside investments of \$1,000,000 then the Company will begin paying the consultants \$2,000 a month. If the Company receives a cumulative amount equal to \$3,000,000 then the Company will pay the consultants a monthly fee of \$5,000.

Finally, upon the Company obtaining \$3,000,000 in external investments the Company will issue an additional 250,000 shares of the Company’s common stock to the Consultants.

Seaside Public Information Requirement

On May 19, 2014, the Company entered into a Securities Purchase Agreement with Seaside 88, LP, a Florida limited partnership, or Seaside, pursuant to which the Company will issue and sell to Seaside up to 5,000,000 shares of its common stock. Seaside is entitled to piggyback registration rights for all the shares issued or issuable under the Securities Purchase Agreement.

The Company covenants and agrees to become a reporting company under the Exchange Act, subject to the reporting requirements of Section 13 or 15(d) thereof, no later than August 19, 2014, which was three (3) months following the date of the Securities Purchase Agreement, and thereafter to file all reports required to be filed by a reporting company pursuant to Section 13 or Section 15(d) of the Exchange Act. In the event there is a delay for any reason in the Company becoming a reporting company under the Exchange Act by August 19, 2014, the Company shall pay a liquidated damage of \$20 per day until it becomes a reporting company. As of December 31, 2015, the Company has accrued estimated liquidated damages in the amount of approximately \$500,000.

AXXESS PHARMA, INC. & SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 17 — SUBSEQUENT EVENTS

On January 4, 2016, the Company entered into a note payable with GHS Investments, LLC. The \$50,000 note bears interest at a 12% per annum interest rate. The note matures on September 4, 2016. The note is convertible into the Company's common stock at an initial conversion price at 50% of the volume weighted averages during the 20 days before the issue date.

On January 6, 2016, the Company amended the Articles of Incorporation to increase authorized common shares from 250,000,000 to 1,000,000,000 shares.

On February 16, 2016, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500 (the "Reverse Stock Split") (See note 1).

On January 20, 2016, EROP Capital purchased \$114,790 of accounts payable for gross sales of common stock equal to \$191,317 ("Settlement Shares") from certain creditors of the Company and 8,000 shares of common stock for fees. On February 15, 2016, the Circuit Court of the Tenth Judicial Circuit, State of Florida for the County of Polk, approved a Stipulation for Settlement of Claims (the "Settlement of Claims") in the favor of EROP Capital. The calculation period is defined as the period from the approval of the Settlement of Claims until the settlement is completed.

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreement until April 1, 2017.

On March 28, 2016, the Company entered into two convertible promissory note payable in an aggregate principal amount of \$30,000 with Blackridge Capital. The note payable bears interest at 9% per annum. The notes mature on March 27, 2017 and are secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (50%) of the volume-weighted averages the ten (10) days preceding the date of conversion subject to an adjustment if upon the twenty (20) trading days commencing on the delivery of conversion shares is subject to a lower conversion price.

On April 4, 2016, the Company entered into a \$25,000 note payable with FTC Capital, LLC. Repayments of the notes are to be within 90 days based upon revenue collections.

Other than event mentioned above we evaluated all events or transactions that occurred after December 31, 2015 up through April 21, 2016 the date we issued these financial statements. During this period we did not have any other material subsequent events that impacted our financial statements.

AXXESS PHARMA INC. & SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended
(Unaudited)
December 31, 2015 and 2014
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AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
ASSETS		
Current Assets		
Cash	\$ 595	\$ 8,621
Accounts receivable	4,337	20,277
Inventory	97,225	163,257
Prepaid expenses and other	3,425	10,419
TOTAL CURRENT ASSETS	<u>105,582</u>	<u>202,574</u>
INTANGIBLE ASSETS, Net	<u>100,108</u>	<u>120,320</u>
TOTAL ASSETS	<u>\$ 205,690</u>	<u>\$ 322,894</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 457,805	\$ 350,339
License fee payable	1,625,000	1,125,000
Notes payable	288,562	1,061,066
Notes payable - related party	1,201,088	1,095,867
Derivative liability	1,375,634	6,016,242
Accrued liquidated damages	503,257	-
Convertible notes payable - net of original issue discount, debt discount and warrant feature	975,771	98,411
TOTAL CURRENT LIABILITIES	<u>6,427,117</u>	<u>9,746,925</u>
LONG-TERM LIABILITIES		
License fee payable	3,375,000	3,875,000
Note Payable	-	-
TOTAL LONG-TERM LIABILITIES	<u>3,375,000</u>	<u>3,875,000</u>
TOTAL LIABILITIES	<u>9,802,117</u>	<u>13,621,925</u>
STOCKHOLDERS' EQUITY		
Preferred stock \$0.0001 par value: 20,000,000 Authorized shares: 20,000,0000 shares Issued and outstanding	2,000	2,000
Common Stock, \$0.0001 par value: 1,000,000,000 Authorized shares: 137,510 and 22,686 issued and outstanding shares, respectively	14	2
Common stock payable	-	-
Additional paid-in capital	25,367,622	21,654,175
Other comprehensive Income (loss)	121,431	106,380
Retained earnings	(35,087,494)	(35,061,588)
TOTAL STOCKHOLDERS' EQUITY	<u>(9,596,427)</u>	<u>(13,299,031)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 205,690</u>	<u>\$ 322,894</u>

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Year Ended December 31,	
	2015	2014
SALES	\$ 20,576	\$ 76,797
COST OF SALES	51,899	99,535
GROSS PROFIT (LOSS)	(31,323)	(22,738)
GENERAL & ADMINISTRATIVE EXPENSES		
Professional fees	403,327	416,396
Office	83,877	149,277
Stock Compensation	125,602	734,193
Management fees	60,000	54,338
Advertising	286,311	147,780
Travel and related	65,539	135,418
Royalty fees	95,627	73,020
Amortization of license fee	20,212	7,055
Other	32,025	121,361
TOTAL GENERAL AND ADMINISTRATIVE EXPENSE	1,172,520	1,838,838
NET LOSS FORM OPERATIONS	(1,203,843)	(1,861,576)
OTHER INCOME/(EXPENSE)		
Loss on extinguishment of debt	(2,281,571)	(972,000)
Gain (loss) on change in fair value of derivative liabilities	5,778,545	(5,831,062)
Liquidated damages	(846,257)	-
Loss on exchange of collateral for debt	-	(1,000,000)
Foreign currency gain	34,374	69,681
Financing costs	(10,800)	-
Amortization of warrant feature	(59,679)	(27,433)
Amortization of debt discount	(927,148)	(51,296)
Interest expense	(509,527)	(142,671)
TOTAL OTHER INCOME /(EXPENSE)	1,177,937	(7,954,781)
NET LOSS BEFORE INCOME TAXES	(25,906)	(9,816,357)
INCOME TAX EXPENSE	-	-
NET LOSS	(25,906)	(9,816,357)
OTHER COMPREHENSIVE INCOME	15,051	41,936
NET LOSS & COMPREHENSIVE INCOME	\$ (10,855)	\$ (9,774,421)
Basic & Diluted earnings per share	\$ (0.70)	\$ (433.68)
Weighted average basis & diluted shares outstanding	36,639	22,538

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Preferred stock		Common stock		Additional Paid-In Capital	Retained Earnings	Common Stock Payable	Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount					
Balance, December 31, 2013	20,000,000	2,000	19,854	2	16,857,848	(25,245,229)	2,128,000	64,444	(6,192,935)
Shares issued for cash	-	-	2,725	-	760,689	-	-	-	760,689
Shares issued for services	-	-	1,597	-	844,526	-	-	-	844,526
Warrant feature related to issuance of note payable	-	-	-	-	87,112	-	-	-	87,112
Debt converted to equity	-	-	4,800	1	3,103,999	-	(2,128,000)	-	976,000
Collateral exchange for debt	-	-	(5,000)	(1)	1	-	-	-	-
Record shares issued Acquisition	-	-	(1,290)	-	-	-	-	-	-
Net loss	-	-	-	-	-	(9,816,359)	-	-	(9,816,359)
Foreign currency Translation	-	-	-	-	-	-	-	41,936	41,936
Balance, December 31, 2014	20,000,000	\$ 2,000	22,686	\$ 2	\$21,654,175	\$(35,061,588)	\$ -	\$ 106,380	\$(13,299,031)
Shares issued for cash	-	-	18,467	2	90,014	-	-	-	90,016
Shares issued for services	-	-	429	-	123,073	-	-	-	123,073
Liquidated damages	-	-	240	-	110,500	-	-	-	110,500
Record shares issued Acquisition	-	-	1,290	-	-	-	-	-	-
Debt converted to equity	-	-	94,398	10	3,264,860	-	-	-	3,264,870
Contributed capital in conjunction with debt settlement agreement	-	-	-	-	125,000	-	-	-	125,000
Net loss	-	-	-	-	-	(25,906)	-	-	(25,906)
Foreign currency Translation	-	-	-	-	-	-	-	15,051	15,051
Balance, December 31, 2015	20,000,000	\$ 2,000	137,510	\$ 14	\$25,367,622	\$(35,087,494)	\$ -	\$ 121,431	\$(9,596,427)

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

AXXESS PHARMA, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Year Ended December 31,	
	2015	2014
OPERATING ACTIVITIES		
Net loss	\$ (25,906)	\$ (9,816,357)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	123,073	734,193
Loss on exchange of collateral for debt	-	1,000,000
Conversion of debt to equity	2,430,135	972,000
Amortization of Original issue discount	58,550	27,433
Amortization of debt discount feature of convertible debenture	927,148	51,296
Amortization of warrant feature of convertible debenture	59,679	19,682
Debt discount feature in excess of derivative liability at issuance date	227,318	37,838
Liquidated damages	826,257	-
Change in value of derivative liability	(5,927,109)	5,815,516
Amortization of license fee	20,212	7,055
Changes in operating assets and liabilities:		
Accounts receivable	15,939	(17,877)
Inventory	66,032	(142,732)
Prepaid expenses and other assets	6,994	20,012
Accounts payable & accrued liabilities	337,130	162,878
Net cash (used) by operating activities	<u>(854,548)</u>	<u>(1,129,063)</u>
FINANCING ACTIVITIES		
Issuance of common stock	-	760,689
Proceeds from convertible debentures	969,900	250,000
Proceeds from promissory note	106,350	-
Repayment of promissory note	(250,000)	-
Proceeds from note payable, related party	5,221	-
Other	-	79,998
Net cash provided by financing activities	<u>831,471</u>	<u>1,090,687</u>
Effect of foreign currency translation	15,051	41,936
NET INCREASE (DECREASE) IN CASH	(8,026)	3,560
CASH		
Beginning of year	8,621	5,061
End of year	<u>\$ 595</u>	<u>\$ 8,621</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
NON-CASH ACTIVITY		
Loss on exchange of collateral for debt	\$ 1,000,000	\$ 1,000,000
Loss on exchange of debt for equity	\$ 2,304,135	\$ 972,000
Conversion of debt to equity	\$ 924,743	\$ 4,000
Acquisition of license fee payable	\$ -	\$ 25,000

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

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 1—THE COMPANY AND BASIS OF PRESENTATION

Nature of operations

Axxess Pharma, Inc. was incorporated in the state of Delaware on April 7, 1997 as CGI Communications Services Inc. On July 26, 2008, the Company amended its certificate of incorporation to change its name to Axxess Pharma, Inc. On December 6, 2012 the Company reincorporated in Nevada by merging into a newly formed Nevada entity with the name Axxess Pharma, Inc. The Company now operates as Axxess Pharma, Inc. with Axxess Pharma Canada, Inc. and Allstar Health Brands Inc. as its wholly owned subsidiaries.

Axxess Pharma Canada, Inc. was incorporated under the Laws of the Province of Ontario. The Company is engaged in the acquisition of Drug Identification Numbers and the eventual sale of the related products. All Star Health Brands Inc. was incorporated on October 1, 2013 under the Laws of the Province of Ontario. The Company is engaged in the acquisition of Drug Identification Numbers and the eventual sale of the related products

The consolidated financial statements included the results of Axxess Pharma Inc. Axxess Pharma Canada and its wholly owned subsidiary Allstar Health Brands Inc. All intercompany accounts have been eliminated during consolidation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company's most significant areas of estimation and assumption are:

- determination of the appropriate amount and timing of markdowns to clear unproductive or slow-moving retail inventory and overall inventory obsolescence
- estimation of future cash flows used to assess the recoverability of long-lived assets
- estimation of estimated fair value of the equity instruments

Stock Split

On February 16, 2016, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500 (the "Reverse Stock Split"). Upon the effectiveness of the Reverse Stock Split, which occurred on February 16, 2016, the Company's issued and outstanding shares of common stock was decreased from approximately 870,088,000 to 348,000 shares, all with a par value of \$0.0001. Accordingly, all share and per share information has been restated to retroactively show the effect of the Reverse Stock Split.

Cash and Cash Equivalents

All short-term investments with original maturities of three months or less at date of purchase are considered cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company maintains their cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. The Company also maintains a certain amount of cash on hand at the retail store locations. The Company has not experienced any significant losses with respect to its cash. At both December 31, 2015 and 2014, the Company did not exceed the insured limit of a depository institution.

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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

The Company considers the entire accounts receivable to be fully collectible. The accounts receivable consist of trade receivable to wholesale customer. Management believes all receivables are fully collectible and therefore no allowance for bad debt has been recorded as of December 31, 2015 and 2014.

Inventory

Inventory consists of finished product acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis.

Fair value of financial instruments

The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments. The carrying amount of the Company's promissory note obligations approximate fair value, as the terms of these notes are consistent with terms available in the market for instruments with similar risk.

We account for our derivative financial instruments, consisting solely of certain stock purchase warrants that contain non-standard anti-dilutions provisions and/or cash settlement features, and certain conversion options embedded in our convertible instruments, at fair value using level 3 inputs. We determine the fair value of these derivative liabilities using the Black-Scholes option pricing model when appropriate, and in certain circumstances using binomial lattice models or other accepted valuation practices.

When determining the fair value of our financial assets and liabilities using the Black-Scholes option pricing model, we are required to use various estimates and unobservable inputs, including, among other things, contractual terms of the instruments, expected volatility of our stock price, expected dividends, and the risk-free interest rate. Changes in any of the assumptions related to the unobservable inputs identified above may change the fair value of the instrument. Increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in the unobservable inputs generally result in decreases in fair value.

Foreign Currency Transactions

The Company's functional currency is the Canadian dollar and the reporting currency is the U.S. dollar. Assets and liabilities are translated from the functional to the reporting currency at the exchange rate in effect at the balance sheet date and equity at the historical exchange rates. Revenue and expenses are translated at rates in effect at the time of the transactions. Resulting translation gains and losses are accumulated in a separate component of stockholders' equity - other comprehensive income (loss). Realized foreign currency transaction gains and losses are credited or charged directly to operations.

Intangible Assets

Intangible Assets consist primarily of licensing as it relates to Drug Identification Numbers (DINs), which is calculated on a straight-line basis over the estimated useful lives, generally estimated, to be ten years. The carrying value of the DINs is assessed for impairment annually during the fourth quarter of each year, or more frequently if impairment indicators exist. Other intangible assets consist of websites, trademarks, domain names etc. and are amortized over estimated useful lives.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted cash flows. If long-lived assets are impaired, an impairment loss is recognized and is measured as the amount by which the carrying value exceeds the estimated fair value of the assets. The estimation of future undiscounted cash flows from operating activities requires significant estimates of factors that include future sales growth and gross margin performance. Management believes they have appropriately determined future cash flows and operating performance; however, should actual results differ from those expected, additional impairment may be required.

Cost of sales

Cost of sales of approximately \$51,899 and \$99,535 for the years ended December 31, 2015 and 2014, respectively, consist primarily of merchandise costs of sales.

Revenue recognition

The Company derives revenues from sale of merchandise and upon the following: (1) there is persuasive evidence that an arrangement exists; (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

Advertising / Marketing

Advertising costs are charged to expense when incurred. The Company's advertising method is primarily print, web based and word of mouth. Advertising / marketing costs were approximately \$286,311, and \$147,780 for the years ended December 31, 2015 and 2014, respectively.

Stock-based compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 505 and 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached by the FASB ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-50.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

ASC Topic 220, "Comprehensive Income", establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive Income consists of foreign currency translation.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. generally accepted accounting principles on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and are to be adopted by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this standard.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This ASU is effective for financial statements issued for annual periods beginning after December 16, 2016, and interim periods within those annual periods. The adoption of this standard will not have any impact on the Company's financial position, results of operations and disclosures.

ASU No. 2015-03, "Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs." The amendments in this update require the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal periods. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. The Company intends to adopt this requirement in 2016, and currently anticipates that the impact of adoption will solely be a reclassification of its deferred financing costs from asset classification to contra-liability classification.

In August 2014, the FASB issued a new U.S. GAAP accounting standard that provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new accounting standard requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The new accounting standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

NOTE 3 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principle, which contemplate continuation of the Company as a going concern. The Company currently has limited working capital, and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 4 – INTANGIBLE ASSETS

TapouT Muscle Recovery Patent and License Tradename

The Company acquired patent and product licenses, trademarks and patents in TapouT Muscle Recovery products (see Note 10).

The components of our other intangible assets at December 31, 2015 are summarized below:

Other Intangible Asset Class	Cost	Accumulated Amortization	Net Carrying Amount	Weighted-Average Amortization Period
Tapout Muscle Recovery patent and license and tradename - October 2013	\$ 2,500	\$ (1,075)	\$ 1,425	4.25 years
Tapout Muscle Recovery patent and license and tradename - September 2014	125,000	(26,317)	98,683	5.33 years
Total other intangible assets	\$ 127,500	\$ (27,392)	\$ 100,108	

The components of our other intangible assets at December 31, 2014 are summarized below:

Other Intangible Asset Class	Cost	Accumulated Amortization	Net Carrying Amount	Weighted-Average Amortization Period
Tapout Muscle Recovery patent and license and tradename - October 2013	\$ 2,500	\$ (601)	\$ 1,899	5.25 years
Tapout Muscle Recovery patent and license and tradename - September 2014	125,000	(6,579)	118,421	6.33 years
Total other intangible assets	\$ 127,500	\$ (7,180)	\$ 120,320	

Amortization expense recognized in the amount of \$20,212 and \$7,055 for the years ended December 31, 2015 and 2014, respectively.

The expected future annual amortization expense for each of the next five years based on current balances of our intangible assets is as follows:

For the year ending December 31:

2016	\$ 20,213
2017	\$ 20,213
2018	\$ 20,213
2019	\$ 20,213
2020	\$ 19,734
Thereafter	\$ 19,734

DINs License Agreement

The Company licensed certain patents from Blue Ivory, Inc. in connection with a 2010 agreement, which is being capitalized and amortized by straight-line methods over estimated useful lives of ten years. The Company agreed to a \$5,000,000 license fee payable in quarterly installments of \$125,000 payable over a ten year period.

Impairment

The Company completed a discounted cash flow analysis to determine if the carrying value on the books was reasonable for the Blue Ivory license agreement as of December 31, 2013. The Company utilized financial projections based on current and future opportunities and relationships with existing customers and distributors. The Company determined that there was a material impairment of DIN's license agreement and recorded an impairment of the unamortized intangible of \$4,875,000. The Company determined the material impairment was due to the lack of financial resources to retain current and market future customers. The acquisition of the TapouT Muscle recovery license in October 2013 reprioritized the Company's financial resources. The Company intends to pursue opportunities with the license agreement upon acceptable funding to pursue the business model.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 5—NOTES PAYABLE

Notes payable at December 31, 2015 and 2014 are summarized as follows:

	December 31, 2015	December 31, 2014
Canadian Heritage, Ltd.	\$ 66,363	\$ 38,765
Ramos & Ramos Investments, Inc. - 2010	39,632	132,913
Ramos & Ramos Investments, Inc. - 2012	56,067	531,642
Ramos & Ramos Investments, Inc. - 2015 Advances	126,500	-
Beaufort	-	250,000
Ramm Ventures Development, Inc.	-	107,746
	288,562	1,061,066
Current Portion	<u>288,562</u>	<u>1,061,066</u>
Total Non-Current	<u>\$ -</u>	<u>\$ -</u>

Ramos and Ramos Investments, Inc.- October 25, 2010

On October 25, 2010, the Company entered into a note payable with Ramos and Ramos Investments Inc. The note bears interest at a 12% per annum interest rate. The note was due and matured on December 31, 2014. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The holder of the note has the right to convert the full or any portion of the principal and accrued but unpaid interest into shares of common stock. Furthermore, the note holder did not request a default upon the due date of the date.

The Company converted \$100,000 of principal and accrued interest resulting in a loss of extinguishment of debt of \$800,000 and \$972,000 in the year ended December 31, 2015 and 2014, respectively.

The principal balance of the note amounted to \$0 and \$84,000 and accrued interest of \$39,632 and \$48,913 as of December 31, 2015 and 2014, respectively.

Ramos and Ramos Investments, Inc.- June 11, 2012

On June 11, 2012, the Company entered into a note payable with maximum lending amount of \$500,000 with Ramos and Ramos Investments Inc. a maximum of lending amount of \$500,000 could be advanced within the first six months of the note. The note bears interest at a 12% per annum interest rate. The note cannot be paid off in full before January 1, 2015 or the completion of a public offering by the Company. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The holder of the note has the right to convert the full or any portion of the principal and accrued but unpaid interest into shares of common stock. On March 13, 2015, the holders of the note amended the conversion price to \$0.01 per share.

The Company converted \$75,000 of principal resulting in a loss of extinguishment of debt of \$270,000 in the year ended December 31, 2015. Furthermore, Ramos and Ramos assigned \$480,000 of principal and accrued interest to certain investors. The balance of the note includes accrued interest of approximately \$56,067 and \$134,909 as of December 31, 2015 and 2014, respectively.

Ramos and Ramos Investments, Inc.- 2015 Advances

In the year ended December 31, 2015, Ramos and Ramos Investments, Inc. advanced \$126,500 of funds for working capital and repayment of certain loans payable. There are no specified terms to the advances.

Canadian Heritage Ltd.

The Company entered into a note payable with Canadian Heritage Ltd. The loan is not interest bearing and cannot be called prior to January 1, 2015. The balances of the note payable as of December 31, 2015 and 2014 is \$38,765 and \$76,086, respectively.

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NOTE 5— NOTES PAYABLE (continued)

RAMM Ventures Development, Inc.

On October 3, 2013 the Company entered into a \$200,000 note payable with RAMM Venture Developments Inc. The note bears interest at 12% annually. The earliest the note can become due and payable is December 31, 2014 if a private placement funds are received at which time the note repayment can be accelerated. In the event of default of the repayment, the note shall automatically be converted to shares of the Company's common stock at the price of \$0.001 per share. The Note is secured by 5,000,000 shares of the Company's Common Stock personally owned by the Company's CEO. On January 15, 2015, the holders of the note amended the conversion price to \$0.01 per share. On April 22, 2015, Redwood Capital assumed the RAMM Ventures note payable and the Company exchanged the note and accrued interest for a convertible debenture maturing on November 15, 2016. The balance of the note payable as of December 31, 2014 is \$107,746.

Beaufort

On June 9, 2014, the Company issued Beaufort a secured promissory note in the principal amount of \$250,000. The promissory note matures six months from the date the Company receives the full amount of the Note on January 24, 2015. The note bears interest at 1% per month compounded monthly.

On January 20, 2015 and February 13, 2015, Beaufort Capital Partners, LLC was repaid \$125,000 of the note payable and the remaining is to be paid on the 15th of each month at \$20,000 per month plus \$5,000 penalty per month until paid in full. The note was repaid in September 2015.

NOTE 6—NOTES PAYABLE –RELATED PARTY

Notes payable party, including accrued interest, related at December 31, 2015 and 2014 are summarized as follows:

	December 31, 2015	December 31, 2014
Shareholders loans payable	\$ 60,266	\$ 55,045
Blue Ivory Holdings, Inc.	1,140,822	1,040,822
	<u>1,201,088</u>	<u>1,095,867</u>
Current Portion	1,201,088	1,095,867
Total Non-Current	<u>\$ -</u>	<u>\$ -</u>

Shareholder Loans payable

The Company entered into loans payable with shareholders for general working capital purposes. The loan from stockholders are non interest bearing and due on demand. The balances of the note payable as of December 31, 2015 and 2014 is \$60,266 and \$55,045, respectively.

Blue Ivory Holdings, Inc.

On August 4, 2014, the Company issued Blue Ivory Holdings, Inc. a note payable in the amount of \$1,000,000 in exchange for the return and cancellation of 12,500,000 shares of the Company's stock issued as collateral under a license agreement. In 2010, Blue Ivory was transferred ownership of the shares as collateral in conjunction with a restructuring of the Company's equity and the corresponding Blue Ivory agreement. In August 2014, the Company was in need of additional financing to which reducing the number of shares outstanding was a condition. Furthermore, as of January 1, 2014, Blue Ivory had the ability to sell 1% of the 25 million shares quarterly upon an event of default, however, the Company negotiated the agreement to return the 12,500,000 shares to the Company in August 2015.

The Note matures one year from the date of the Note. The note bears interest at 10% annually and for the year ended December 31, 2015 and 2014 accrued and expensed interest amounted to \$140,822 and \$40,822, respectively.

The note payable was extended for a six month period due on February 4, 2016.

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreements until April 1, 2017 (See note 17).

AXCESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE

Convertible promissory notes, including accrued interest, at December 31, 2015 and 2014 are as follows:

	2015	2014
WHC Investments, Inc. convertible promissory note payable, net of original issuance discount of \$0 and \$42,818, warrant feature of \$0 and \$59,679 and debt discount feature of \$0 and \$111,592 as of December 31, 2015 and December 31, 2014, respectively.	\$ -	\$ 98,411
RBB Capital, WHC assignment, including accrued interest of \$21,930	139,618	-
Ramos and Ramos, WHC assignment, including accrued interest of \$18,644	207,894	-
Redwood Capital, February 5, 2015, including accrued interest of \$7,534 and net of original issuance discount of \$493 and debt discount of \$8,710	98,331	-
Redwood Capital, April 22, 2015, including accrued interest of \$11,809, net of original issuance discount of \$2,702 and debt discount of \$49,583	134,524	-
Redwood Capital, October 8, 2015, including accrued interest of \$1,136 and net of original issuance discount of \$1,926 and debt discount of \$38,525	13,185	-
Redwood Capital, November 13, 2015, including accrued interest of \$556 and net of original issuance discount of \$1,841 and debt discount of \$36,154	15,062	-
Redwood Capital, November 13, 2015, including accrued interest of \$789 and net of debt discount of \$31,725	9,296	-
Redwood Global Fund III, August 14, 2015, including accrued interest of \$2,399 and net of original issuance discount of \$1,861 and debt discount of \$29,227	34,312	-
18 River North Equity, LLC., February 17, 2015, including accrued interest of \$3,908 and net of debt discount of \$5,707	73,202	-
18 River North Equity, LLC., April 6, 2015, including accrued interest of \$3,427 net of original issuance discount of \$1,045 and debt discount of \$13,778	66,104	-
Ramos and Ramos, May 15, 2015, including accrued interest of \$6,685	106,685	-
GHS Investments, July 21, 2015, including accrued interest of \$3,459 and net of debt discount of \$26,582	76,877	-
Blackridge Capital, November 17, 2015 including accrued interest of \$151 and net of debt discount of \$3,636	681	-
Convertible promissory note payable, net	\$ 975,771	\$ 98,411

We evaluated the convertible promissory notes transactions in accordance with ASC Topic 815, Derivatives and Hedging, and determined that the conversion feature of the convertible promissory notes were not afforded the exemption for conventional convertible instruments due to their respective variable conversion rate. The notes have no explicit limit on the number of shares issuable so they did not meet the conditions set forth in current accounting standards for equity classification. The Company recorded a derivative liability representing the imputed interest associated with the embedded derivative. The derivative liability is adjusted periodically according to the stock price fluctuations.

WHC Investments, Inc./WHC Assignment

On November 4, 2014, the Company entered into a note payable with WHC Investments, LLC. The note \$312,500 includes \$62,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matured on May 4, 2015 and was secured by 3,500,000 shares of Company common stock owned by the Company's Chief Executive Officer. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 70% of the average three daily volume weighted averages during the 20 days before the issue date.

The agreement included a detachable three (3) year warrant to purchase 1,000,000 shares of the Company's common stock at an exercise price of \$.25535 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. The Company recorded an original issue discount of \$62,500 and amortized as interest expense over the initial six-month term of the convertible debentures.

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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

WHC Investments, Inc./WHC Assignment (continued)

A portion of the proceeds were allocated to the warrants based on their relative fair value using the Black Scholes option pricing model. The debt conversion feature and warrants assumptions used in the Black-Scholes model were as follows: (1) dividend yield of 0%; (2) expected volatility of 89%, (3) weighted average risk-free interest rate of 0.97%, (4) expected life of 3 years, and (5) fair value of common stock of \$0.19 per share. The expected term of the warrants represents the estimated period of time until exercise and is based on historical experience of similar awards and giving consideration to the contractual terms. The amounts attributable to the warrants aggregate to \$87,112, was recorded as a discount and deducted from the face value of the convertible promissory note payable and recorded as equity in additional-paid-in-capital.

During the year ended December 31, 2015, the Company recognized interest expense of \$42,818 as a result of the original issue discount amortization, \$59,679 in the amortization of warrant feature of the convertible debenture and \$111,592 in the amortization of the debt discount, respectively.

In the year ending December 31, 2015, the note payable was assigned to Ramos and Ramos Investments, Inc. and RBB Capital. as noted below.

WHC Assignment/RBB Capital

On May 27, 2015, WHC Investments, Inc. assigned \$175,000 to RBB Capital pursuant to the terms of the \$312,500 WHC Convertible Promissory note, dated November 4, 2014. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 70% of the average three daily volume weighted averages during the 20 days before the issue date. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount which was recognized as interest expense in the amount of \$12,190 during the year ending December 31, 2015.

The note originally matured on May 4, 2015, however, was extended in the assignment agreement until July 27, 2015 and secured by 1,000,000 shares of Company common stock owned by the Company's Chief Executive Officer. On July 28, 2015, the Company agreed to extend the note until November 4, 2015 and an inducement increase the principal balance by \$87,500 in liquidated damages to a principal balance of \$262,500. Concurrently, the Company and the Company's CEO agreed to the foreclosure upon the 1,000,000 collateral shares for a reduction of principal of \$62,500 recorded as additional-paid-in-capital.

In the year ending December 31, 2015, the lender converted the \$82,312 of principal into 20,830 shares of common stock at a fair market value of \$166,039 and recorded an extinguishment of debt expense of \$83,728. The principal balance amounted to \$117,688 and accrued interest of \$21,930 as of December 31, 2015.

WHC Assignment/Ramos and Ramos

On May 27, 2015, WHC Investments, Inc. assigned \$175,000 to Ramos and Ramos Investments pursuant to the terms of the \$312,500 WHC Convertible Promissory note, dated November 4, 2014. The assigned note was modified to increase the principal balance due by \$37,500 included as an expense in the Financing costs and liquidated damages on the Statement of Operations. The note was due and payable on July 27, 2015. The note may be converted in the event that (a) the note is in default or (b) the net proceeds from the sale of collateral shares do not provide adequate coverage of all amounts due. The note is convertible into the Company's common stock at an initial conversion price at 65% of the average three daily volume weighted averages during the 20 days before the issue date. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount which was recognized as interest expense in the amount of \$12,190 during the year ending December 31, 2015

The note originally matured on May 4, 2015, however, was extended in the assignment agreement until July 27, 2015 and secured by 1,000,000 shares of Company common stock owned by the Company's Chief Executive Officer. On July 28, 2015, the Company agreed to extend the note until November 4, 2015 and an inducement increase the principal balance by \$87,500 in liquidated damages to a principal balance of \$262,500. Concurrently, the Company and the Company's CEO agreed to the foreclosure upon the 1,000,000 collateral shares for a reduction of principal of \$62,500 recorded as additional-paid-in-capital.

In the year ending December 31, 2015, the lender converted the \$10,750 of principal into 10,000 shares of common stock at a fair market value of \$58,050 and recorded an extinguishment of debt expense of \$83,728. The principal balance amounted to \$189,250 and accrued interest of \$18,644 as of December 31, 2015.

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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

RDW Capital, LLC.

On February 5, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$100,000 note payable includes \$5,000 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on February 5, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$79,506 and \$4,506 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$98,331 comprised of principal balance amounted to \$100,000 and accrued interest of \$7,534, and net of remaining debt discount of \$8,710 and original issue discount of \$493.

On February 5, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$200,000 bears interest at a 10% per annum interest rate. The note matured on September 5, 2015. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$200,000 of principal into 1,875 shares of common stock at a fair market value of \$603,125 and recorded an extinguishment of debt expense of \$403,125 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$152,372 during the year ending December 31, 2015.

On April 22, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$175,000, includes \$8,750 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on April 22, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$111,013 and \$6,049 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$152,451 comprised of principal balance amounted to \$175,000 and accrued interest of \$11,809, and net of remaining debt discount of \$49,583 and original issue discount of \$2,702.

On April 22, 2015, Redwood Capital was assigned a note payable from RAMM Ventures, LLC. in the amount of \$160,000 including accrued interest of \$35,015. The note bears interest at a 10% per annum interest rate and matures on November 22, 2015. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. In the year ending December 31, 2015, the lender converted the \$160,000 of principal and accrued interest into 1,516 shares of common stock at a fair market value of \$281,774 and recorded an extinguishment of debt expense of \$121,774 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$51,982 during the year ending December 31, 2015, respectively.

On October 8, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on October 8, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$11,475 and \$574 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$13,185 comprised of principal balance amounted to \$52,500 and accrued interest of \$1,136, and net of remaining debt discount of \$38,525 and original issue discount of \$1,926.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

On October 9, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$75,000 from Ramos & Ramos Investments Ltd. June 2012 note payable and bears interest at a 10% per annum interest rate. The note matures on April 9, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) discount to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$75,000 of principal into 7,076 shares of common stock at a fair market value of \$209,223 and recorded an extinguishment of debt expense of \$134,223. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$74,031 during the year ending December 31, 2015.

On November 13, 2015, the Company entered into a convertible note payable with RDW Capital, LLC. The \$52,500 note payable includes \$2,500 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on May 13, 2016 and is secured by the share reservation of 300% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$13,846 and \$659 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$15,062 comprised of principal balance amounted to \$52,500 and accrued interest of \$556, and net of remaining debt discount of \$36,154 and original issue discount of \$1,841.

On November 13, 2015, the Company entered into a note payable with RDW Capital, LLC. The agreement exchanged notes of \$80,000 from Ramos & Ramos Investments, Ltd. June 2012 note payable and bears interest at a 10% per annum interest rate. The note matures on May 13, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of fifty percent (50%) discount to market value. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. In the year ending December 31, 2015, the lender converted the \$39,768 of principal into 40,820 shares of common stock at a fair market value of \$218,115 and recorded an extinguishment of debt expense of \$178,347. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$31,359 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$9,296 comprised of the remaining principal balance amounted to \$40,232 and accrued interest of \$789, and net of remaining debt discount of \$31,725.

Redwood Global Fund III

On August 14, 2015, the Company entered into a note payable with Redwood Global Fund III. The agreement exchanged notes of \$63,000, includes \$3,000 of original issuance discount and bears interest at a 10% per annum interest rate. The note matures on August 14, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$17,897 and \$1,139 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$34,312 comprised of principal balance amounted to \$63,000 and accrued interest of \$2,399, and net of remaining debt discount of \$29,227 and original issuance discount of \$1,861.

18 River North Equity, LLC.

On February 17, 2015, the Company entered into a convertible note payable with River North Equity, LLC. in an aggregate principal amount of \$75,000. The note payable bears interest at a 6% per annum. Any amount of the principal or interest not paid when due shall bear interest at the rate of 16% per annum from the due date thereof until paid and is subject to a penalty of 5% of the outstanding principal and accrued interest. The note matures on February 17, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (70%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount, which was recognized as interest expense, in the amount of \$37,687 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$73,202 comprised of principal balance amounted to \$75,000 and accrued interest of \$3,909, and net of remaining debt discount of \$5,707.

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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

18 River North Equity, LLC. (continued)

On April 6, 2015, the Company entered into a convertible note payable with River North Equity, LLC. in an aggregate principal amount of \$77,500 including \$4,375 of original issuance discount. The note payable bears interest at a 6% per annum. Any amount of the principal or interest not paid when due shall bear interest at the rate of sixteen percent (16%) per annum from the due date thereof until paid and is subject to a penalty of five percent (5%) of the outstanding principal and accrued interest. The note matures on February 17, 2016 and is secured and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. The Company recorded amortization of debt discount and original issuance discount, which was recognized as interest expense, in the amount of \$38,208 and \$2,830 during the year ending December 31, 2015, respectively. The balance as of December 31, 2015 amount to \$66,104 comprised of principal balance amounted to \$77,500 and accrued interest of \$3,427, and net of remaining debt discount of \$13,778 and original issuance discount of \$1,045.

Ramos and Ramos

On May 15, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with Ramos and Ramos Investments, Inc. The note payable bears interest at a 12% per annum. The note matures on November 15, 2015 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (60%) of the lowest bid price in the five (5) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$71,287 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$106,685 comprised of principal balance amounted to \$100,000 and accrued interest of \$6,685.

RBB Capital, LLC.

On May 18, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with RBB Capital, LLC. in exchange for the assumption of \$100,000 of the Ramos and Ramos note payable dated June 11, 2012. The note payable bears interest at a 12% per annum. The note matures on February 18, 2016. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty-five percent (65%) of the volume-weighted averages the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of twelve (12) months. During the year ending December 31, 2015, the lender fully converted \$100,000 of the principal and \$1,089 in accrued interest into 1,881 shares of common stock at a fair market value of \$201,543 and recorded an extinguishment of debt expense of \$100,453 during the year ending December 31, 2015. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$63,072 during the year ending December 31, 2015.

GHS Investments, Inc.

On July 21, 2015 the Company entered into a convertible promissory note payable in an aggregate principal amount of \$100,000 with GHS Investments, Inc. of which proceeds were received between August 15, 2015 and November 23, 2015. The note payable bears interest at a 12% per annum and any amount of the principal or interest not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until paid. The note matures nine months upon receipt by the Company. The note is convertible into shares of common stock at a price equal to a variable conversion price of sixty percent (65%) of the lowest volume-weighted average in the twenty (20) days preceding the date of conversion. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$15,987 during the year ending December 31, 2015. The balance as of December 31, 2015 amount to \$76,877 comprised of principal balance amounted to \$100,000 and accrued interest of \$3,459, and net of remaining debt discount of \$26,582.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 7 – CONVERTIBLE PROMISSORY NOTES PAYABLE (continued)

Blackridge Capital

On November 17, 2015, the Company entered into a convertible promissory note payable in an aggregate principal amount of \$25,000 with Blackridge Capital, exchange for the assumption of \$25,000 of the Ramos and Ramos note payable dated June 11, 2012. The note payable bears interest at 5% per annum. The note matures on November 17, 2016 and is secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (70%) of the volume-weighted averages the ten (10) days preceding the date of conversion subject to an adjustment if upon the twenty (20) trading days commencing on the delivery of conversion shares is subject to a lower conversion price. The fair value of the note has been determined by using the Black-Scholes pricing model with an expected life of six (6) months. The Company recorded amortization of debt discount, which was recognized as interest expense in the amount of \$3,005 during the year ending December 31, 2015.

In the year ending December 31, 2015, the lender converted the \$20,833 of principal into 16,667 shares of common stock at a fair market value of \$90,017 and recorded an extinguishment of debt expense of \$69,184. The balance as of December 31, 2015 amount to \$681 comprised of principal balance amounted to \$4,166 and accrued interest of \$151, and net of remaining debt discount of \$3,636.

NOTE 8 – EQUITY

At December 31, 2015, the Company's authorized stock consists of 20,000,000 shares of \$.0001 par value preferred stock and 1,000,000,000 shares of \$.0001 par value common stock. The common stock has voting rights and entitle to one vote per share.

Of the 20,000,000 shares of preferred stock 20,000,000 shares are issued and outstanding as of December 31, 2015 and 2014. On April 15, 2015, the Company entered into a certificate of designation with the State of Nevada designating the preferred shares as Series A Preferred with a \$1.00 liquidation preference and no dividend rights. The preferred stock has voting rights, regardless of the number of shares outstanding, representing 80% of all votes entitled to be voted.

On February 16, 2016, the Company effectuated a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500. Upon the effectiveness of the Reverse Stock Split, which occurred on February 16, 2016, the Company's issued and outstanding shares of common stock was decreased from approximately 870,088,000 to 348,000 shares, all with a par value of \$0.0001. Accordingly, all share and per share information has been restated in this Report to retroactively show the effect of the Reverse Stock Split.

On January 6, 2016, the Company amended the Articles of Incorporation to increase authorized common shares from 250,000,000 to 1,000,000,000 shares.

On August 12, 2015, the Company amended the Articles of Incorporation to increase authorized common shares from 150,000,000 to 250,000,000 shares.

On May 4, 2015, the Company amended the Articles of Incorporation to increase authorized common shares from 100,000,000 to 150,000,000 shares.

The following common stock transactions occurred during 2014:

On January 22, 2014 the Company entered into a Stock Purchase Agreement with Equity Portfolio Funding, Inc. whereby the Company sold 300 shares of common stock at a purchase price of \$250 per share for a total purchase price of \$75,000. The agreement also calls for the Company to issue to Equity Portfolio Funding, Inc. a half warrant, or 150 warrants, to purchase further common stock of the Company for up to two years at \$1,250 per share.

On January 22, 2014, the Company issued 40 shares valued at \$250 per share for cash.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 8 – EQUITY (Continued)

On January 28, 2014, the Company issued 400 valued at \$225 for cash in conjunction with a license distribution agreement amounting to proceeds of \$90,000.

On March 17, 2014, the Company issued 80 shares valued at \$250 per share for cash.

On January 30, 2014, the company and Revive Bioscience, Inc. amended the September 13, 2014 acquisition agreement whereby the Revive Bioscience, Inc. shareholders returned 1,290 shares to the Company subject to conditions related to transferring NPN's and indemnification of certain outstanding liabilities. The Company recorded a common stock payable at \$0.0001 par value of \$0.13. In June 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders upon settlement of the conditions.

On April 15, 2014, the Company issued 80 shares valued at \$250 per share for cash. The agreement also calls for the Company to issue the investor a half warrant, or 40 warrants, to purchase further common stock of the Company for up to one years at \$1,250 per share.

On May 19, 2014, the Company entered into a Securities Purchase Agreement with Seaside 88, LP, a Florida limited partnership, or Seaside, pursuant to which the Company will issue and sell to Seaside up to 2,000 shares of its common stock. The Company issued 234 shares at \$375 per share on May 20, 2014, 367 shares at \$375 per share on June 20, 2014, and 336 shares at \$299 per share on July 21, 2014, respectively.

On June 24, 2014, the Company issued 360 shares valued at \$250 per share for cash.

On July 22, 2014, the Company issued 40 shares valued at \$250 per share for cash.

On August 4, 2014, the Company cancelled 5,000 shares issued as collateral under a license agreement in exchange for a note payable.

On August 26, 2014, the Company issued 400 shares valued at \$250 per share for cash.

On September 18, 2014, the Company issued 1,600 shares valued at \$610 per share to convert \$4,000 of principal on loan from related party to equity.

On October 9, 2014, the Company issued a total of 200 shares valued at \$500 per share amounted to \$100,000 in to AGB Tapout in conjunction with the related license agreement.

On November 5, 2014, the Company issued 400 shares valued at \$475 per share to the Company Chief Executive Officer for consulting services.

On December 3, 2014, the Company issued 89 shares valued at \$225 per share for \$20,000 upon the exercise of warrants.

During the year end December 31, 2014, the Company issued 997 shares of common stock related to professional services provided by third parties. There were 851 shares of common stock valued at approximately \$475,576 issued to product marketing organizations and celebrity product sponsors and 146 shares of common stock issued to financial consultants valued at \$78,950.

The following common stock transactions occurred during 2015:

On January 9, 2015, the Company entered into a side letter to the Securities Purchase Agreement with Seaside 88, LP to extend the reporting company requirement to March 30, 2015, pursuant to which the Company issued 40 shares to Seaside for the extension.

On January 14, 2015, the Company issued, a third party, 1,000,000 shares valued at \$0.10 per share for cash pursuant to a loan agreement amounting to \$18,500.

On January 21, 2015, Beaufort Capital Partners, LLC, a third party, were issued 80 shares in exchange for an extension of the secured promissory note amounting to \$44,000 and recorded a liquidated damages expense during the year ending December 31, 2015.

On January 30, 2015, Core Biotech PTY, a third party, 240 shares pursuant to a consulting agreement amounting to \$99,000 and recorded as stock based compensation during the year ending December 31, 2015.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 8 – EQUITY (Continued)

In February and March 2015, 1,875 shares were issued to Redwood Capital LLC, a third party, for the conversion of \$200,000 of convertible notes to Redwood Capital LLC at a fair market value of \$603,125 and recorded an extinguishment of debt expense of \$403,125 during the year ending December 31, 2015.

On February 13, 2015, 120 shares were issued to Beaufort Capital Partners LLC in exchange for an extension of the secured promissory note amounting to \$48,000 and recorded a liquidated damages expense during the year ending December 31, 2015.

On March 12, 2015, 100,000 shares were issued to Seaside 88 LP, a third party, pursuant to an extension of a share purchase agreement. On January 9, 2015, the Company entered into a side letter to the Securities Purchase Agreement with Seaside 88, LP to extend the reporting company requirement to March 30, 2015, pursuant to which the Company issued 100,000 shares to Seaside for the extension. Therefore, as of January 16, 2015 and December 31, 2014, the Company has not accrued any liquidated damages. However, if the Company does not become a reporting company by March 30, 2015, the Company will commence to accrue liquidated damages until it becomes a reporting company which may adversely affect our results of operations. The Company is currently not a reporting company as of April 21, 2016.

On March 18, 2015 and June 16, 2015, 49 shares were issued to Ramel Shorte & Associates, a third party, in exchange for investment Banking Services and recorded \$10,069 as financing costs during the year ending December 31, 2015.

On March 25, 2015, 1,600 shares were issued in exchange for the conversion of \$40,000 of convertible notes to Ramos & Ramos Investments at a fair market value of \$360,000 and recorded an extinguishment of debt expense of \$320,000 during the year ending December 31, 2015.

On April 15, 2015, 2,400 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos & Ramos Investments, a third party, at a fair market value of \$540,000 and recorded an extinguishment of debt expense of \$480,000 during the year ending December 31, 2015.

In April and May 2015, the Company issued 1,516 shares in exchange for the conversion of \$160,000 of convertible notes to Redwood Capital LLC. at a fair market value of \$281,774 and recorded an extinguishment of debt expense of \$121,774 during the year ended December 31, 2015.

On June 2, 2015, 2,400 shares were issued in exchange for the conversion of \$60,000 of convertible notes to Ramos & Ramos Investments at a fair market value of \$282,000 and recorded an extinguishment of debt expense of \$222,000 during the year ended December 31, 2015.

In June and July 2015, the Company issued 1,881 shares in exchange for the conversion of \$100,000 of convertible notes to RBB Capital LLC, a third party, at a fair market value of \$201,543 and recorded an extinguishment of debt expense of \$100,453 during the year ending December 31, 2015.

In June 2015, the Company issued 140 shares to a third party in exchange for \$14,000 of advertising services.

On June 16, 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders, a related party, in accordance with the amended agreement dated January 30, 2014. The shares had been recorded at \$0.13 at par value of \$0.0001 per share in common stock payable.

In July 2015, the Company issued 3,000 shares in exchange for the conversion of \$75,000 of convertible notes to Ramos and Ramos Investments, Inc. at a fair market value of \$345,000 and recorded an extinguishment of debt expense of \$270,000 during the year ending December 31, 2015.

In July 2015, the Company issued 3,373,247 shares in exchange for the conversion of \$60,955 of convertible notes to RBB Capital LLC at a fair market value of \$141,623 and recorded an extinguishment of debt expense of \$80,749 during the year ending December 31, 2015.

In October and November 2015, the Company issued 7,076 shares in exchange for the conversion of \$75,000 of convertible notes to Redwood Capital, a third party, at a fair market value of \$209,223 and recorded an extinguishment of debt expense of \$134,223 during the year ending December 31, 2015.

In November and December 2015, the Company issued 23,230 shares in exchange for the conversion of \$82,312 of convertible notes to RBB Capital LLC, a third party, at a fair market value of \$166,039 and recorded an extinguishment of debt expense of \$83,727 during the year ending December 31, 2015.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 8 – EQUITY (Continued)

In November and December 2015, the Company issued 40,820 shares in exchange for the conversion of \$39,768 of convertible notes to Redwood Capital, a third party, at a fair market value of \$218,115 and recorded an extinguishment of debt expense of \$178,347 during the year ending December 31, 2015.

In December 2015, the Company issued 16,667 shares in exchange for the conversion of \$20,833 of convertible notes to Blackridge Capital, a third party, at a fair market value of \$90,016 and recorded an extinguishment of debt expense of \$69,184 during the year ending December 31, 2015.

In December 2015, the Company issued 8,600 shares in exchange for the conversion of \$10,750 of convertible notes to Ramos and Ramos Investments, Inc. at a fair market value of \$58,050 and recorded an extinguishment of debt expense of \$47,300 during the year ending December 31, 2015.

NOTE 9 – WARRANTS

Warrants

The following table summarizes the changes in the warrants outstanding at December 31, 2015, and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were issued in lieu of cash compensation for services performed or financing expenses and in connection with the private placements.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ 1,250.00	190	\$ 1,250.00	0.11	190	\$ 1,250.00
\$ 638.38	400	\$ 638.38	1.84	400	\$ 638.38
	<u>590</u>		<u>1.28</u>	<u>590</u>	

A summary of the Company's stock awards for warrants as of December 31, 2015 and changes for the year ended December 31, 2015 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2014	-	\$ -
Granted	990	588.74
Exercised	(89)	224.72
Expired/Cancelled	(311)	224.72
Outstanding, January 1, 2015	590	\$ 835.34
Granted	-	-
Exercised	-	-
Expired/Cancelled	-	-
Outstanding, December 31, 2015	590	835.34
Exercisable, December 31, 2015	590	835.34

On November 4, 2014 and in conjunction with the WHC Capital Note Agreement (Note 7), the Company issued detachable three (3) year warrant to purchase 400 shares of the Company's common stock at an exercise price of \$638.38 per share.

During the year ended December 31, 2014, the Company entered into a Stock Purchase Agreement with certain investors (Note 8) whereby the Company issued 190 warrants to purchase further common stock of the Company for up to two years at \$1,250 per share.

The Company entered into an agreement with Hardcore Beverage in December 2013 issuing 400 warrants to purchase shares of the Company's common stock at a discount of 50% of the average trading price over the most recent 30-day period of \$225.00. The term of the warrants were one year. In December 2014, Hardcore exercised 89 warrants at a value of approximately \$224.72 per share for proceeds of \$20,000 and the remaining warrants expired.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 10 – ACQUISITION

On September 13, 2013 the Company through its wholly owned subsidiary Allstar Health Brands, enter into an assets purchase agreement with Revive Bioscience Inc. The Company acquired assets related to the distribution of Tapout Products including DINS of TapouT pain relief products as well as trademarks, website, remaining finished goods inventory of Tapout products as well customer lists and intellectual products associated with the Tapout brand name. The purchase price included \$52,000 cash used to pay-off outstanding accounts payable of Revive Bioscience as of the closing date and 2,580 shares of common stock valued at \$1,200 per share at the closing date of the transaction.

Based on the fair value of assets received compared to the fair market value of the consideration give the \$52,000 cash and fair value of common stock \$3,096,000 (2,580 shares at \$1,200 per share). The company recorded expenses of as excess consideration paid over fair value of assets received of \$3,119,731.

Under the terms of the agreement the seller can receive an additional 2,500,000 shares of common stock is certain private placement funding levels are reached as well as specified revenue goals related to the sale of TapouT products achieved with a eighteen months period commencing September 13, 2013.

On January 30, 2014, the company and Revive Bioscience, Inc. amended the September 13, 2014 acquisition agreement whereby the Revive Bioscience, Inc. shareholders returned 1,290 shares to the Company subject to conditions related to transferring NPN's and indemnification of certain outstanding liabilities. The Company recorded a common stock payable at the \$0.001 par value of \$0.13. In June 2015, the Company issued 1,290 shares of common stock to the Revive Biosciences shareholders upon settlement of the conditions.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures about fair value of financial instruments, requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2015, the amounts reported for cash, accrued interest and other expenses, notes payables, and derivative liability approximate the fair value because of their short maturities.

Fair value is defined as 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. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at December 31, 2015:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Liabilities				
Derivative and warrant liability	-	-	-	1,375,634
Total liabilities measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,634</u>

The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Beginning balance as of December 31, 2014	\$ 6,016,242
Fair value of derivative liabilities issued	1,286,501
Gain on change in derivative liability	(5,927,109)
Ending balance as of December 31, 2015	<u>\$ 1,375,634</u>

The following tables set forth a description of the financial instruments classified as derivative liabilities as of December 31, 2015 and the assumption used to value the instruments.

Convertible Debentures

The derivative liabilities related to the embedded conversion feature were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	Embedded Conversion Feature	Embedded Conversion Feature
Risk free interest rate	0.49% to 0.65%	0.12%
Expected volatility (peer group)	198.87% to 237.86%	89.10%
Expected life (in years)	0.10 to .88	0.50
Expected dividend yield	-	-
Number outstanding	446,024	24,047

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 12 – LOSS PER SHARE

The following table presents the computations of basic and dilutive loss per share:

	2015	2014
Net Income (Loss)	\$ (25,906)	\$ (9,816,357)
Net income (loss) per share:		
Net income (loss) per share – basic and diluted	\$ (0.70)	\$ (433.68)
Weighted average common shares outstanding – basic and diluted	36,639	22,538

For the year ended December 31, 2015 and 2014 common stock equivalents totaling 491,253 and 55,175, respectively, related to warrants, convertible debt and preferred stock were excluded from the calculation of the diluted net loss per share as their effect would have been anti-dilutive.

NOTE 13 — INCOME TAXES

As of December 31, 2015, the Company had net operating loss carry forwards of approximately \$35,087,000 that may be available to reduce future years' taxable income in varying amounts through 2033. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The provision for Federal income tax consists of the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Federal income tax benefit attributable to:		
Current operations	\$ 8,000	3,338,000
Less: valuation allowance	(8,000)	(3,338,000)
Net provision for Federal income taxes	\$ -	-

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 11,928,000	11,920,000
Less: valuation allowance	(11,928,000)	(11,920,000)
Net deferred tax asset	\$ -	-

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur net operating loss carry forwards may be limited as to use in future years.

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NOTE 14 — LICENSING AGREEMENT

Blue Ivory Holdings, Inc.

On October 1, 2012, the Company entered into a licensing agreement with Blue Ivory Holdings Inc. The Licensing agreement relates to the development, market, make, use and sell, certain drug formulations know as DINS. The terms of the agreement require a total payment of \$5,000,000 consisting of being paid quarterly payments of \$125,000 over ten year period as well as royalty payment to Blue Holdings of 5% on all net sales by the Company and a 10% royalty fee for Sublicense fees paid to Blue Ivory Holding on account of sublicenses for the sale of licensed products. The balance due on the license fee payable amounts to \$5,000,000 as of December 31, 2015 and 2014, respectively.

In conjunction with the Blue Ivory agreement, a former shareholder agreed to transfer 20 million preferred shares previously outstanding as collateral to Blue Ivory. The business and equity structure of the Company were reorganized to provide sufficient collateral for the license agreement. These shares continue to be held by Blue Ivory in accordance with the agreement.

Concurrently, 25 million shares of common stock was issued by the Company to Blue Ivory on a collateral basis until the license fee has been paid in full. The Company issued the shares directly to Blue Ivory in lieu of a trust agreement and Blue Ivory has the right to sell 1% of their 25 million shares quarterly, as of January 1, 2014, in the event of a default. The transferred shares continue to be held by Blue Ivory, a related party, in accordance with the agreement.

On August 4, 2014, the Company issued Blue Ivory Holdings, Inc. a note payable in the amount of \$1,000,000 in exchange for the return and cancellation of 5,000 shares of the Company's stock issued as collateral under a license agreement (see Note 7).

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreement until April 1, 2017 (See subsequent note 17).

Hardcore Beverage

On September 30, 2015, the Company provided HardCore Beverages a termination notification of its commercial relationship due to non-compliance with the terms of the international distribution agreement.

ABG Tapout, LLC.

On October 1, 2013, the Company entered into a license agreement with ABG Tapout, LLC to provide for the termination of the Revive BioScience's agreement with ABG TapouT, originally dated April 29, 2011, which the Company assumed in the acquisition agreement dated September 13, 2013 (see Note 10) and to utilize the TapouT word mark and the TapouT logo on specified products, to manufacture and sell the specified products, and utilize the website for purposes of selling the specified products. The license agreement was initially sell a pain relief product line including, topical pain relief towelettes, topical All-Natural Pain relief spray, as well as a pre- and post- workout natural supplement to enhance muscle growth and recovery.. The license term is five years through December 31, 2018 and provided the Company is not in breach of the agreement shall have the option to extend the licenses agreement for two five year terms. Pursuant to the agreement the Company must pay ABG Tapout, LLC 5% royalty on net sales, the company must also maintain certain agreed upon sales levels set out in the agreement in order to maintain the license.

On September 1, 2014, the Company entered into an amended agreement to expand the product selection rights to produce and market exclusively, on a world-wide basis, vitamins, minerals, and a full line of protein products including protein powder, protein Read-to-Drink meal replacements and protein bars. The term of the agreement extended for an additional two years through December 31, 2020. In consideration for the amended terms, ABG Tapout, LLC was issued Company common stock of 500,000 shares on October 9, 2014 at a fair market value of \$0.20 per share valued of \$100,000 and a fee of \$25,000.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 14 — LICENSING AGREEMENT (Continued)

The initial term of the agreement provides for an annual minimum guaranteed royalty, a minimum common marketing fund and an advertising commitment of 1% of net sales. The following are the remaining annual minimum commitments required:

Year	Royalty	Marketing
2013	\$ 30,000	\$ -
2014	\$ 70,000	\$ 14,000
2015	\$ 77,500	\$ 22,728
2016	\$ 165,000	\$ 45,455
2017	\$ 170,000	\$ 45,455
2018	\$ 175,000	\$ 45,455
2019	\$ 200,000	\$ 75,000
2020	\$ 225,000	\$ 100,000

NOTE 15 — CONSULTING AGREEMENT

SG Business

On February 27, 2014 the Company entered into a consulting agreement with SG Business development will perform consulting services related to distribution and marketing channels regarding the Company’s nutritional supplement product lines. The contract term is a one year period beginning January 22, 2014 and 100,000 shares were issued at a fair market value of \$30,000.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Consulting Agreements

On July 1, 2013 the Company entered into a consulting agreement with Global Health Link Corp (“Consultants”). The Consultants will perform the duties of a Vice President of Marketing for the Company. The term of the agreement is for three years with the option of a three year renewal. The agreement can be cancelled by either party by giving a thirty day notice. Upon signing this agreement the Company will issue to the Consultants 250,000 shares of the Company’s common stock. Once the Company receives outside investments of \$1,000,000 then the Company will begin paying the consultants \$2,000 a month. If the Company receives a cumulative amount equal to \$3,000,000 then the Company will pay the consultants a monthly fee of \$5,000.

Finally, upon the Company obtaining \$3,000,000 in external investments the Company will issue an additional 250,000 shares of the Company’s common stock to the Consultants.

Seaside Public Information Requirement

On May 19, 2014, the Company entered into a Securities Purchase Agreement with Seaside 88, LP, a Florida limited partnership, or Seaside, pursuant to which the Company will issue and sell to Seaside up to 5,000,000 shares of its common stock. Seaside is entitled to piggyback registration rights for all the shares issued or issuable under the Securities Purchase Agreement.

The Company covenants and agrees to become a reporting company under the Exchange Act, subject to the reporting requirements of Section 13 or 15(d) thereof, no later than August 19, 2014, which was three (3) months following the date of the Securities Purchase Agreement, and thereafter to file all reports required to be filed by a reporting company pursuant to Section 13 or Section 15(d) of the Exchange Act. In the event there is a delay for any reason in the Company becoming a reporting company under the Exchange Act by August 19, 2014, the Company shall pay a liquidated damage of \$20 per day until it becomes a reporting company. As of December 31, 2015, the Company has accrued estimated liquidated damages in the amount of approximately \$500,000.

AXXESS PHARMA, INC. & SUBSIDIARIES
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NOTE 17 — SUBSEQUENT EVENTS

On January 4, 2016, the Company entered into a note payable with GHS Investments, LLC. The \$50,000 note bears interest at a 12% per annum interest rate. The note matures on September 4, 2016. The note is convertible into the Company's common stock at an initial conversion price at 50% of the volume weighted averages during the 20 days before the issue date.

On January 6, 2016, the Company amended the Articles of Incorporation to increase authorized common shares from 250,000,000 to 1,000,000,000 shares.

On February 16, 2016, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of its outstanding and authorized shares of common stock at a ratio of 1 for 2,500 (the "Reverse Stock Split") (See note 1).

On January 20, 2016, EROP Capital purchased \$114,790 of accounts payable for gross sales of common stock equal to \$191,317 ("Settlement Shares") from certain creditors of the Company and 8,000 shares of common stock for fees. On February 15, 2016, the Circuit Court of the Tenth Judicial Circuit, State of Florida for the County of Polk, approved a Stipulation for Settlement of Claims (the "Settlement of Claims") in the favor of EROP Capital. The calculation period is defined as the period from the approval of the Settlement of Claims until the settlement is completed.

On March 21, 2016, the Company agreed to issue 12,500,000 common shares to settle for interest and penalties related to the October 1, 2012 Pharmaceutical License Agreement and August 4, 2014 Note Payable agreement and to extend the agreement until April 1, 2017.

On March 28, 2016, the Company entered into two convertible promissory note payable in an aggregate principal amount of \$30,000 with Blackridge Capital. The note payable bears interest at 9% per annum. The notes mature on March 27, 2017 and are secured by the share reservation of 100% of the number of share of common stock issuable upon a conversion. The note is convertible into shares of common stock at a price equal to a variable conversion price of seventy percent (50%) of the volume-weighted averages the ten (10) days preceding the date of conversion subject to an adjustment if upon the twenty (20) trading days commencing on the delivery of conversion shares is subject to a lower conversion price.

On April 4, 2016, the Company entered into a \$25,000 note payable with FTC Capital, LLC. Repayments of the notes are to be within 90 days based upon revenue collections.

Other than event mentioned above we evaluated all events or transactions that occurred after December 31, 2015 up through April 21, 2016 the date we issued these financial statements. During this period we did not have any other material subsequent events that impacted our financial statements.

SZAFERMAN LAKIND

Szaferman, Lakind, Blumstein & Blader, P.C.
Attorneys at Law

101 Grovers Mill Road, Suite 200
Lawrenceville, NJ 08648
P: 609.275.0400
F: 609.275.4511
www.szaferman.com

Arnold C. Lakind
Barry D. Szaferman
Jeffrey P. Blumstein
Steven Blader
Brian G. Paul+
Craig J. Hubert++
Michael R. Paglione*
Lionel J. Frank**
Jeffrey K. Epstein+
Stuart A. Tucker
Scott P. Borsack***
Daniel S. Sweetser*
Robert E. Lytle
Janine G. Bauer***
Daniel J. Graziano Jr.
Nathan M. Edelstein**
Bruce M. Sattin***
Gregg E. Jaclin**
Robert P. Panzer
Benjamin T. Branche*
Robert G. Stevens Jr.**

Of Counsel
Stephen Skillman
Linda R. Feinberg
Anthony J. Parrillo
Paul T. Koenig, Jr.
Robert A. Gladstone
Janine Danks Fox*
E. Elizabeth Sweetser
Keith L. Hovey

Michael D. Brottman**
Lindsey Moskowitz Medvin**
Mark A. Fisher
Robert L. Lakind***
Thomas J. Manzo**
Carley Ward**
Melissa A. Chimbangu
Kathleen O'Brien
Steven A. Lipstein**
Yarona L. Yieh#
Brian A. Heyesey
Mengyi "Jason" Ye
John O'Leary***
Christopher S. Myles
Christopher S. Kwelty

+Certified Matrimonial Attorney
++Certified Civil and Criminal Trial Attorney
*NJ & PA Bars
**NJ & NY Bars
***NJ, NY & PA Bars
#NY Bar

April 22, 2016

OTC Markets Group Inc.
304 Hudson Street, Second Floor
New York, NY 10013

**Re: Adequate Current Information regarding
Axxess Pharma, Inc.**

OTC Markets Group:

We have been requested by Axxess Pharma, Inc. (the "Company") to render an opinion as to whether there is adequate current information available on the OTC Disclosure and News Service regarding the Company pursuant to Rule 144(c)(2) under the Securities Act of 1933, as amended (the "Securities Act") and Rule 15c2-11 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We are authorized to practice law in the State of New York, the State of New Jersey, and the Commonwealth of Pennsylvania. Our law firm is permitted to practice before the Securities and Exchange Commission (the "SEC") and has not been prohibited from practice thereunder.

We have relied on information obtained from public officials, officers of the Company and other sources, where such sources are believed to be reliable, and examined such corporate records and other documents and such questions of law as we consider necessary or appropriate for purpose of rendering this opinion.

We have also reviewed the following documents in connection with the preparation of this letter (the "Materials"):

- Annual Report dated April 21, 2016 and posted through the OTC Disclosure & News Service on April 21, 2016 (the "Annual Report");
- a copy of the Articles of Incorporation of the Company filed with the Secretary of State of Nevada on August 13, 2012;
- a copy of the Bylaws of the Company adopted on December 6, 2012;

- a copy of the Good Standing Certificate from the Secretary of State of the State of Nevada as of April 20, 2016;
- a copy of the certified list of common stockholders of the Company prepared as of April 20, 2016, issued by Corporate Stock Transfer, Inc. the transfer agent attesting to the number of shares of outstanding common stock of the Company (the "Certified List");
- the resolution of the Board of Directors of the Company dated April 21, 2016 upon unanimous written consent relating to, without limitation, approving the Annual Report and authorizing the posting of such Annual Report through the OTC Disclosure & New Service; and
- the certificate of the officer of the Company dated April 21, 2016 (the "Officer's Certificate").

We have assumed that (i) all information contained in all documents reviewed by us is true and correct, (ii) all signatures on these documents reviewed by this firm are genuine, (iii) all documents submitted to this firm as originals are true and complete, (iv) all documents submitted to this firm as copies are true and complete copies of the originals thereof, and (v) each natural person signing any document submitted to this firm had the legal capacity to do so.

The Company's financial statements contained in the Annual Report were prepared by Carrolton Partners, LLC, with an address at 77 E. Main Street, Suite 406, Westminster, MD 21157. Its phone number is (410) 790-8627. Carrolton Partners, LLC regularly provides accounting and consulting services to publically traded companies in the United States. The Company's financial statements have not been audited.

The Company's transfer agent is Corporate Stock Transfer, Inc., with an address at 3200 Cherry Creek Drive South, Suite 430, Denver, CO 80209. Corporate Stock Transfer, Inc. is registered with the Securities and Exchange Commission. We confirmed that there are 20,106,627 and 20,000,000 shares of common stock and preferred stock of the Company issued and outstanding, respectively, as set forth in the Annual Report by reviewing the Certified List. We also confirmed the number of outstanding shares of preferred stock set for the in the Annual Report upon reviewing the Officer's Certificate.

We have reviewed the website maintained by otcm Markets.com for the purpose of determining whether the Annual Report was posted thereon.¹ As of the date hereof, the Annual Report is posted on the website and is available for public inspection and review.

We have (i) personally met with the management of the Company and a majority of the directors of the Company, (ii) reviewed the Annual Report, published by the Company through the OTC Disclosure and News Service, and (iii) discussed such information with the management and a majority of the directors of the Company.

To the best of our knowledge², after inquiry of management and the directors of the Company, no one of the Company, the Company's officer, director or 5% holder, or our law firm are currently under

¹ <http://www.otcm Markets.com/stock/AXXE/filings>

² Whenever a statement herein is qualified by "to our knowledge" or similar phrase, it means that, during the course of our representation of the Company for the purposes of this opinion letter, information actually known by those lawyers who participated in the preparation of the letter or worked in any capacity on the transactions contemplated after consultation with such other attorneys in our firm who have rendered substantive advice to Company and a review of documents in our possession as they deemed appropriate. As to certain questions of fact material to this

investigation by any federal or state regulatory authority for any violation of federal or states securities laws.

We have been asked to provide several opinions herein. First, we have been asked to opine that, as of the date hereof, the materials (i) constitute “adequate current public information”³ as detailed in Rule 15(c)(2)(11)(a)(5)(i)-(xiv) and (xvi)⁴ concerning the Company and its common stock, and that such public information is “available” within the meaning of Rule 144(c)(2) under the Securities Act.⁵ After a review of the materials, it is our opinion that the materials constitutes ‘adequate public information’ which is “available within the meaning of Rule 144(c)(2) and Rule 15(c)(2)(11)(a)(5).

Further, we have been asked opine that the materials contain all the information that a broker-dealer would be required to obtain from the Company to publish a quotation for the Company’s common stock in accordance with Rule 15c2-11 under the Exchange Act.⁶ After reviewing the Annual Report and the requirements of Rule 15c2-11, it is our opinion that the Annual Report contains all the information that a broker-dealer would be required to obtain from the Company to publish a quotation for the Company’s common stock under Rule 15c2-11 under the Exchange Act.

Further, we have been asked whether in our opinion the contents of the Annual Report comply with the OTC Markets Group’s OTC Pink Basic Disclosure Guidelines, which are located on the internet at www.otcmarkets.com. We have compared the requirements as published by the OTC Markets Group to the contents of the Annual Report and conclude that the Annual Report satisfies the various disclosure requirements set forth in the published guidelines.

OTC Markets Group, is entitled to rely upon this letter in determining whether the Company has made adequate current information publicly available within the meaning of Rule 144(c)(2) under the Securities Act of 1933, and is permitted to publish the letter in the OTC Disclosure and News Service for viewing by the public and regulators. This letter is being delivered solely for the benefit of OTC Markets Group and may not be relied upon by any other person, quoted by or filed with any governmental authority or other regulatory agency, or otherwise circulated or utilized for any other purpose without our prior written consent in each such case.

opinion, we have relied upon statements or certificates from the Company or person(s) acting on behalf of the Company.

³ Rule 144(c)(2) states under “current public information” that adequate current public information with respect to the issuer of the securities must be available. Such information will be deemed to be available for non-reporting companies if the items in Rule 15(c)(2)(11)(a)(5)(i) to (xiv) and (a)(5)(xvi) are provided.

⁴ Rule 15(c)(2)(11)(5) outlines the information that is required by a broker-dealer. The items listed under Rule 15(c)(2)(11) include: (i) issuer name, (ii) address of principal executive offices, (iii) state of incorporation, (iv) exact title and class of security, (v) par value of security, (vi) number of securities outstanding as of the most recent fiscal year end, (vii) name and address of transfer agent, (viii) nature of issuer’s business (ix) nature of products or services offered, (x) nature of issuer’s facilities, (xi) names of CEO and board members, (xii) the issuer’s most recent balance sheet and profit and loss and retained earnings statements, (xiii) similar financial information for the past two fiscal years, (xiv) whether the issuer has a broker or dealer who is affiliated directly or indirectly with the issuer and (xvi) the equity securities held by the officers and directors of the issuer and any beneficial owners of more than 10 percent of the outstanding equity securities of the issuer.

⁵ *Supra*, note 2.

⁶ *Supra*, note 3.

The opinions expressed in this letter are made only as of the date hereof. We assume no obligation to update or supplement this letter to reflect facts or circumstances which may hereafter come to our attention with respect to this letter and the statements expressed above, including any changes in applicable law which may hereafter occur.

Regards,

SZAFERMAN, LAKIND, BLUMSTEIN & BLADER, PC

By: _____

Gregg E. Jaclin
For the Firm