



# **AXIOLOGIX, INC.**

**A Nevada Corporation Listed on the OTC Pink Market**

Current Trading Symbol: AXLX.PK

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## **Quarterly Report**

**For the Three and Nine Months Ended February 28, 2013**

**Including Financial Statements and Disclosures**

**Prescribed by OTC Pink Market for**

**Alternative Reporting Standards.**

**Filed on April 12, 2013**

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

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Axiologix, Inc. (6/6/2012 – present)  
Axiologix Education Corporation (1/17/2012 – 6/5/2012)  
VOIP ACQ, INC. (10/5/2011 – 1/17/2012)

### 2) Address of the issuer's principal executive offices

Company Headquarters  
1990 Main Street, Suite 750,  
Sarasota, FL 34236  
Telephone: 941-309-5334  
Facsimile: 941-309-5201  
Website: [www.axiologix.net](http://www.axiologix.net)

Investor Relations: [vbrowne@axiologix.net](mailto:vbrowne@axiologix.net)  
1990 Main Street, Suite 750,  
Sarasota, FL 34236  
Telephone: 941-309-5334  
Facsimile: 941-309-5201  
Website: [www.axiologix.net](http://www.axiologix.net)

### 3) Security Information

Trading Symbol: AXLX.PK  
Exact title and class of securities outstanding:

**Common Stock:**

CUSIP: 05462T106

Par or Stated Value: \$0.0001

Total shares authorized: 3,000,000,000 as of: February 28, 2013

Total shares outstanding: 1,625,882,582 as of: February 28, 2013

**Preferred Stock:**

Par or Stated Value: \$0.001

Total shares authorized: 10,000,000 as of: November 30, 2012

Total shares outstanding: 900,000 as of: November 30, 2012

Transfer Agent  
American Stock Transfer & Trust Company, LLC  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
Telephone: 718-921-8293

Is the Transfer Agent registered under the Exchange Act?\* **Yes:** X

\*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

None

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

#### 4) Issuance History

The following events resulted in changes in total shares outstanding by the issuer in the past two year period ending on the last day of the issuer's most recent fiscal quarter:

During the nine months ended February 28, 2013, the Company issued a total of 1,593,672,581 shares of common stock. Of this amount, 62,000,000 shares of restricted common stock were issued in exchange for services rendered; 581,672,691 shares of unrestricted common stock were issued from the conversion of \$173,875 worth of convertible promissory notes; 150,000,000 shares of unrestricted common stock were issued in exchange for the partial settlement of \$800,000 worth of debt under SEC Rule 3(a)(10), and the balance, or 800,000,000 shares of restricted common stock were issued to VOIP ACQ as part of the Contribution Agreement, described below. Additionally, 500,000,000 shares of restricted common stock were returned by VOI ACQ in exchange for 500,000 shares of Series A Convertible Preferred Stock. Additionally, \$170,000 worth of new convertible promissory notes were issued in exchange for cash, with conversion prices ranging from a 20% to 50% discount to the Market Price of the Company's common stock. In addition, 400,000 shares of Series B Convertible Preferred Stock and warrants to purchase up to 22,500,000 shares of restricted common stock at \$0.006 per share was issued to an accredited investor in exchange for cash.

During the year ended May 31, 2012, the Company issued a total of 422,000,000 shares of common stock. Of this amount, 5,000,000 shares of restricted common stock were issued in exchange for services rendered; 67,000,000 shares of unrestricted common stock were issued from the conversion of \$28,500 worth of convertible promissory notes, and the balance, or 350,000,000 shares of restricted common stock were issued to VOIP ACQ as part of the Contribution Agreement, described below. Additionally, warrants to purchase up to 500,000,000 shares of restricted common stock at \$0.002 per share were issued to Vincent Browne as part of his compensation package, and 23,700,395 shares of common stock were returned in exchange for the sale of a subsidiary company.

During the year ended May 31, 2011, the Company had not issued any securities, because the Company's share issuance history begins as of January 17, 2012, when AXLX acquired substantially all of the assets and liabilities of VOIP in exchange for a total of 1,150,000,000 shares of AXLX's restricted common stock pursuant to a definitive Contribution Agreement dated November 30, 2011 by and among AXLX and VOIP (the "Contribution Agreement"). Although AXLX is the legal acquirer, for accounting purposes VOIP is the accounting acquirer and the transaction was accounted for as a reverse merger.

Each of the above securities offerings or transactions was made by officers and directors of the issuer and was not a registered offering. The offerings relied upon an exemption under Regulation S or Rule 4(2) of the Securities Act of 1933, as amended. The shares in these offerings or transactions were restricted (i.e., not freely tradable), where indicated above; and the certificates evidencing such shares contained a legend (1) stating that the shares have not been registered under the Securities Act of 1933, as amended, and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act of 1933, as amended.

#### 5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

**The Company's unaudited financial statements for its three and nine months ended February 28, 2013 and 2012 are attached hereto and incorporated herein as part of the Company's Quarterly Company Information and Disclosure Statement and filed herewith at the end of this Report.**

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

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

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

As of and for the three months ended February 28, 2013, we operated our business through two wholly-owned subsidiaries, Axiologix Limited and AxioComm, Inc. Axiologix Limited does business under the name Prime Carrier, and delivers Cloud based software to the international telecommunications marketplace as it has done for over ten years. AxioComm will offer IP voice, data and Cloud services directly to small and medium sized businesses throughout the United States.

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

Axiologix Education Corporation ("AXLX") was originally incorporated under the laws of the State of Nevada on April 29, 2009.

VOIP ACQ, INC. ("VOIP") was originally incorporated under the laws of Delaware on October 5, 2011.

On January 17, 2012, AXLX acquired substantially all of the assets and liabilities of VOIP in exchange for a total of 1,150,000,000 shares of AXLX's restricted common stock pursuant to a definitive Contribution Agreement dated November 30, 2011 by and among AXLX and VOIP (the "Contribution Agreement"). Although AXLX is the legal acquirer, for accounting purposes VOIP is the accounting acquirer and the transaction was accounted for as a reverse merger.

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

- Primary SIC # 4813 and 7372
- Secondary SIC #4813-02

D. the issuer's fiscal year end date;

**May 31<sup>st</sup>**

E. principal products or services, and their markets;

- Cloud based software provided to the international telecommunications marketplace.
- IP voice, data and Cloud services provided directly to small and medium sized businesses throughout the United States.

## 7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company leases office space for its headquarters on a yearly basis, with renewal options, from Regus. The office is currently located at 1990 Main Street, Suite 750, Sarasota, Florida 34236. Axiologix Limited leases office space for its operations on a month-to-month basis; its office is located at Liscara, 51 Fitzwilliam Square, Dublin 2, Ireland.

## 8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), **as of the date of this information statement**.

Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Director:	Vincent Browne
President of Telecom Operations and Director:	Dennis Mitrano
Control Person:	VOIP ACQ, INC.

**Vincent Browne**, *Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Chairman of the Board of Directors, age 44.*

Mr. Browne became Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Chairman of the Board of AXLX on January 17, 2012. Mr. Browne is also currently Chairman of the Board, Corporate Secretary and acting Chief Financial Officer for Flint Telecom Group, Inc. ("Flint") and has served in that capacity since October 2008. Mr. Browne has over 20 years experience in the ICT sector. During this time he has served at senior management levels in large multinationals and public companies. Prior to founding Flint, Mr. Browne was Head of Procurement with Esat Telecom Group, Ireland's leading competitive operator and quoted on NASDAQ. In this position, Mr. Browne managed annual expenditure in excess of \$250 million and also managed the Carrier Services division with responsibility for unit profitability as well as supporting retail sales and subscriber acquisition programs. Esat Telecom was purchased by British Telecom in June 2000. Prior to that, Mr. Browne was with Siemens in Ireland managing the Products Business Segment with annual revenues in excess of \$50 million and 8 years of profitability. He holds a Bachelor of Commerce degree from University College Dublin and is a regular contributor in commercialization of research and technology projects with the Technology and Enterprise Campus at Trinity College Dublin.

**Dennis Mitrano, age 57.** Mr. Mitrano became President of Telecom Operations of AXLX on August 17, 2012. Effective September 21, 2012, Dennis Mitrano was elected as a director of the Company. Mr. Mitrano is also currently President & CEO for Realistic Solutions, Inc. and has served in that capacity since July 1992. Mr. Mitrano has over 30 years experience bringing technologies and companies to market. Prior to joining AXLX, Mr. Mitrano was President with DayStar Communications since January 2011 and will remain in that position through the closing date of its pending acquisition, which is anticipated to be September 29, 2012. Prior to that, from April 2007 to January of 2011, Mr. Mitrano was with Intellectual Property Partners in the capacity of Partner. Mr. Mitrano holds an MBA from George Washington University, majoring in Finance and International Business, and received a Bachelor of Science in Finance from Virginia Tech. He is currently on the advisory boards of two early stage firms, is an Executive Advisory Board member of ATP (Association for Telecom Professionals) and has been involved with TAG (Technology Association of Georgia) for over 10 years. Mr. Mitrano is also a member of the Turnaround Management Association.

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, 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 business, securities, commodities, or banking activities;

No

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

No

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 business or securities activities.

No

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

VOIP ACQ, INC.: 70% Beneficial Shareholder of Issuer  
Vincent Browne: owns 70% of VOIP ACQ  
Address: 80 The Old Mill, Ratoath, Meath, Ireland

VOIP ACQ, INC.'s Registered Agent:  
Harvard Business Services, Inc.  
16192 Coastal Highway  
Lewes, DE 19958

## 9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

### Legal Counsel

Name:  
Firm:  
Address 1:  
Address 2:  
Phone:  
Email:

### Accountant or Auditor

Name:  
Firm:  
Address 1:  
Address 2:  
Phone:  
Email:

### Investor Relations Consultant

Name:  
Firm:  
Address 1:  
Address 2:  
Phone:  
Email:

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: Taliesin Durant  
Firm: DART Business Services, LLC  
Address 1: 16192 Coastal Highway  
Address 2: Lewes, DE 19958  
Email: [tali@dart-services.com](mailto:tali@dart-services.com)

## 10) Issuer Certification

I, Vincent Browne, certify that:

1. I have reviewed this Initial Disclosure Statement of Axiologix, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement 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 on 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.

April 12, 2013

A handwritten signature in black ink, appearing to read 'V. Browne', with a long horizontal line extending to the right.

Vincent Browne

Chief Executive Officer and Chief Financial Officer

**AXIOLOGIX, INC. & SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE THREE AND NINE MONTHS**  
**ENDED FEBRUARY 28, 2013**



**AXIOLOGIX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<b>February 28, 2013</b>	<b>May 31, 2012</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Total cash and cash equivalents	72,879	605
Trade receivables	112,789	232,869
Revenue earned not yet invoiced	19,231	-
Prepaid expenses and other current assets	550,025	-
<b>Current Assets</b>	<b>754,923</b>	<b>233,474</b>
Equipment and IP	631,574	581,971
Intangible assets and goodwill	-	-
<b>Total Assets</b>	<b>\$1,386,497</b>	<b>\$815,446</b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>Payables within 1 year</b>		
Accounts payable and accrued liabilities	227,594	199,680
Accrued interest payable	37,843	50,869
Convertible notes payable, third party - net of discount	248,547	272,500
Convertible notes payable, related parties - net of discount	40,000	40,000
Secured Debentures - short term	-	271,844
Notes Payable - related parties	19,788	19,788
Embedded note derivative liability	-	96,006
Deferred revenue	138,596	195,705
<b>Total Liabilities</b>	<b>712,368</b>	<b>1,146,391</b>
<b>Payables after 1 year</b>		
Secured Debentures - long term	-	269,858
Series B Redeemable Preferred shares	400,000	-
<b>Total due after one year</b>	<b>400,000</b>	<b>269,858</b>
<b>Temporary Equity</b>		
Series A Convertible Preferred shares	10,000	-
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value; 8,000,000,000 shares authorized, with 1,623,977,303 shares issued and outstanding as of February 28, 2013, and 3,000,000,000 shares authorized, with 575,304,612 shares issued and outstanding at May 31, 2012	162,398	57,531
Common Stock Issuable	-	80,000
Additional paid in capital	1,699,711	309,275
Other Comprehensive Income / (Loss)	1,242	(989)
Accumulated deficit	(1,599,222)	(1,046,619)
<b>Total Shareholders' Equity / (Deficit)</b>	<b>264,129</b>	<b>(600,803)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$1,386,497</b>	<b>\$815,446</b>

See accompanying notes to the consolidated financial statements.

**AXIOLOGIX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
<b>Revenues</b>	\$241,950	\$-	\$710,678	\$-
<b>Cost of revenues</b>	(11,549)	-	(35,317)	-
<b>Gross profit (loss)</b>	230,402	-	675,362	444,960
<b>Operating expenses</b>				
Sales and general administrative	333,594	-	715,408	-
Stock compensation expense	-	-	116,445	-
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	(103,192)	-	(156,491)	444,960
Depreciation and amortization	29,361	-	75,652	-
<b>Operating Income</b>	(132,553)	-	(232,143)	444,960
<b>Other (income) expense</b>				
(Gain) loss on foreign exchange	(1,907)	-	8	-
Interest expense	126,108	-	319,463	-
(Profit) loss on settlement of debt	-	-	-	-
<b>Net Profit (loss)</b>	<b>\$ (256,754)</b>	<b>\$ -</b>	<b>\$ (551,614)</b>	<b>\$ -</b>
<b>Net profit (loss) attributable to common stockholders</b>	<b>\$ (256,754)</b>	<b>\$ -</b>	<b>\$ (551,614)</b>	<b>\$ -</b>
<b>Net loss per share - basic and diluted</b>	<b>(\$0.00)</b>	<b>\$0.00</b>	<b>(\$0.00)</b>	<b>\$0.00</b>
<b>Weighted average shares outstanding</b>				
Basic and diluted	1,272,933,669	526,436,036	1,114,853,211	526,436,036

See accompanying notes to the consolidated financial statements.

**AXIOLOGIX, INC. AND SUBSIDIARIES**  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) AND OTHER COMPREHENSIVE LOSS**  
(Unaudited)

	<b>Preferred stock</b>		<b>Common stock</b>		<b>Common stock issuable</b>		<b>Additional</b>	<b>Accumulated</b>	<b>TOTAL</b>
	Shares	Amount	Shares	Amount	Shares	Amount	paid-in capital	deficit	
<b>Balances at May 31, 2011</b>	<b>-</b>	<b>\$-</b>	<b>350,000,000</b>	<b>\$35,000</b>	<b>800,000,000</b>	<b>\$80,000</b>	<b>\$(115,000)</b>	<b>\$-</b>	<b>\$-</b>
Acquisition of Axiologix Education Corp.			173,486,750	17,349			329,625		\$346,974
Conversion of notes payable			70,518,257	7,052			109,394		\$116,446
Stock compensation expense							92,433		\$92,433
Stock issued for services			5,000,000	500			9,500		\$10,000
Settlement of derivative liability							18,414		\$18,414
Sale of Axiologix Holdings Inc.			(23,700,395)	(2,370)			(135,092)		\$(137,462)
Net profit / (loss) for the period								(1,047,608)	\$(1,047,608)
<b>Balances at May 31, 2012</b>	<b>0</b>	<b>\$-</b>	<b>575,304,612</b>	<b>\$57,531</b>	<b>800,000,000</b>	<b>\$80,000</b>	<b>\$309,275</b>	<b>\$(1,047,608)</b>	<b>\$(600,803)</b>
Conversion of notes payable			150,000,000	15,000			30,000		\$45,000
Stock compensation expense				-			62,444		\$62,444
Shares issued to Officers and Directors			45,000,000	4,500			49,500		\$54,000
Debt discount on convertible notes							95,000		\$95,000
Stock issuable issued			800,000,000	80,000	(800,000,000)	(80,000)	-		\$-
Common Shares surrendered for Series A Preferred shares	500,000	10,000	(500,000,000)	(50,000)			40,000		\$(10,000)
Net profit / (loss) for the period								(256,754)	\$(256,754)
<b>Balances at August 31, 2012</b>	<b>500,000</b>	<b>\$10,000</b>	<b>1,070,304,612</b>	<b>\$107,031</b>	<b>0</b>	<b>\$-</b>	<b>\$586,219</b>	<b>\$(1,304,362)</b>	<b>\$(611,114)</b>
Conversion of notes payable			97,601,626	9,760			16,340		\$26,100
Shares Issued for services			17,000,000	1,700			9,100		\$10,800
Net profit / (loss) for the period								(84,917)	\$(84,917)
<b>Balances at November 30, 2012</b>	<b>500,000</b>	<b>\$10,000</b>	<b>1,184,906,238</b>	<b>\$118,491</b>	<b>0</b>	<b>\$-</b>	<b>\$611,659</b>	<b>\$(1,389,279)</b>	<b>\$(659,131)</b>
Conversion of debt and other payables			289,071,065	28,907			65,368		\$94,275
Stock issued to Ironridge Global IV			150,000,000	15,000			868,178		\$883,178
Retirement of derivative liability							96,006		\$96,006
Debt discount on convertible notes							58,500		\$58,500
Other comprehensive income / (loss)								1,242	\$1,242
Net profit / (loss) for the period								(209,943)	\$(209,943)
<b>Balances at February 28, 2013</b>	<b>500,000</b>	<b>\$10,000</b>	<b>1,623,977,303</b>	<b>\$162,398</b>	<b>0</b>	<b>\$-</b>	<b>\$1,699,711</b>	<b>\$(1,597,980)</b>	<b>\$264,127</b>

See accompanying notes to consolidated financial statements.

**AXIOLOGIX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited)

	For the Nine Months Ended February 28, 2013	From inception October 5, 2011 to May 31, 2012
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (551,614)	\$ (1,047,607)
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Depreciation and amortization	75,652	7,012
Non-cash stock based compensation	62,445	92,433
Common Stock Issued for services	64,800	10,000
Amortization of debt discount	97,473	49,960
Debt issuance and deferred offering Costs	(5,991)	1,320
Non cash interest charges	86,778	-
(Profit)/Loss on debt settlement	-	(140,500)
Loss on sale of Axiologix Holdings Inc. - Education Assets	-	1,040,186
<i>Changes in assets and liabilities, net of acquisition and disposals:</i>		
Accounts receivable	103,078	(147,177)
Accounts payable & accrued liabilities	120,814	6,874
Deferred revenue	(57,109)	145,499
Accrued interest	56,424	18,474
<b>Net cash generated from operating activities</b>	<b>52,750</b>	<b>36,474</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of fixed assets	-	-
Cash from Acquisition	-	-
Investment in notes receivable	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Financing Activities:</b>		
Net borrowings from related parties	-	19,788
Proceeds from sale of common stock	-	-
Proceeds from sale of convertible debt	120,266	-
Payments on convertible notes payable	(37,000)	(15,000)
Payments on secured notes payable	(66,219)	(58,825)
<b>Net cash provided (used) by financing activities</b>	<b>17,047</b>	<b>(54,037)</b>
<b>Cash Flows From Foreign Currency Activities:</b>		
Exchange gain (loss) on translation of foreign assets	2,476	18,169
<b>Net cash provided by (used in) foreign currency activities</b>	<b>2,476</b>	<b>18,169</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>72,273</b>	<b>606</b>
Cash and cash equivalents, beginning of the period	606	-
<b>Cash and cash equivalents, end of the period</b>	<b>72,879</b>	<b>606</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>		
Cash paid for interest	\$ 24,572	\$ 11,936
Cash paid for taxes	\$ -	\$ -

See accompanying notes to consolidated financial statements.

**AXIOLOGIX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**SUPPLEMENTAL DISCLOSURES**  
(Unaudited)

**SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:**

	<b>For the Nine Months Ended February 28, 2013</b>	<b>From inception October 5, 2011 to May 31, 2012</b>
Common stock issued for conversion of notes payable and accrued interest	\$ 165,375	\$ 116,446
Common stock issued for common stock payable	\$ -	\$ 10,000
Settlement of derivative liability to additional paid in capital	\$ 96,006	\$ 18,414
Common stock issued for services	\$ 10,800	\$ 10,000
Common stock issued to officers for services	\$ 54,000	\$ -
Common Stock issued and issuable to Ironridge on settlement of debt	\$ 883,178	\$ -
Debt discount related to convertible notes payable	\$ 153,500	\$ -
Convertible preferred shares issued for services	\$ 400,000	\$ -
Interest capitalized	\$ 58,350	\$ -
<b>Acquisition of Axiologix Education:</b>		
Prepayments	\$ -	\$ 1,320
Goodwill	\$ -	\$ 1,177,648
Accounts payable and Accrued Liabilities	\$ -	\$ (150,694)
Accrued interest payable	\$ -	\$ (71,243)
Convertible notes payable, third party - net of discount	\$ -	\$ (309,138)
Convertible notes payable, related parties - net of discount	\$ -	\$ (40,000)
Notes Payable - third parties	\$ -	\$ (112,500)
Notes Payable - related parties	\$ -	\$ (34,000)
Embedded note derivative liability	\$ -	\$ (114,420)
	\$ -	\$ 346,974
<b>Disposition of Axiologix Holdings Inc. - Education:</b>		
23,700,395 Common Shares returned and cancelled	\$ -	\$ 137,462
Goodwill	\$ -	\$ (1,177,648)
Loss on disposition	\$ -	\$ (1,040,186)

See accompanying notes to the consolidated financial statements.

**AXIOLOGIX, INC. & SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS**

Axiologix, Inc. (“AXLX”, “We” or the “Company”) is incorporated under the laws of Nevada, USA. We were originally incorporated on October 5, 2011 in Delaware as VOIP ACQ, INC.

On January 17, 2012, the Company acquired substantially all of the assets and liabilities of VOIP ACQ, Inc. (“VOIP”) in exchange for a total of 1,150,000,000 shares of our restricted common stock (the “Shares”) pursuant to a definitive Contribution Agreement dated November 30, 2011 among AXLX and VOIP (the “Contribution Agreement”). VOIP has a number of agreements to acquire part or all of the issued share capital of a number of potential acquisitions in the VoIP and Cloud Services markets. Although AXLX is the legal acquirer, for accounting purposes VOIP is the accounting acquirer. (See Note 5: Acquisition of VOIP ACQ). The pre-existing educational software and on-line services operations were housed in a wholly owned subsidiary, Axiologix Holdings Inc., and were subsequently sold in May of 2012. (See Notes 5 and 6).

Effective September 14, 2012 we changed our name to Axiologix, Inc.

Following completion of the reverse merger with VOIP ACQ Inc, Axiologix has focused on Cloud technologies and services beyond the education market. As part of this new strategy, on March 5, 2012 the Company completed the acquisition of a cloud services company in Ireland, Prime Carrier. A key area of the new strategy is to build a U.S. nationwide provider of VoIP (Voice over Internet Protocol) telecom and data services, currently the largest Cloud services market globally. (See Note 7: Acquisition of Prime Carrier).

In November of 2012, the Company incorporated a new wholly owned subsidiary in Delaware, named AxioComm, Inc. AxioComm was formed to partner with strategic partners in order to offer retail hosted IP Voice, data and cloud services to small and medium sized business customers using strategic partner relationships.

We are headquartered at 1990 Main Street, Suite 750, Sarasota, FL 34236, and our telephone number is 941-309-5334. The address of our website is [www.axiologix.net](http://www.axiologix.net). Information on our website is not part of this report.

As of and for the three months ended February 28, 2013, we operated our business through two wholly-owned subsidiaries, Axiologix Limited and AxioComm, Inc. Axiologix Limited does business under the name Prime Carrier, and delivers Cloud based software to the international telecommunications marketplace as it has done for over ten years. AxioComm offers IP voice, data and Cloud services directly to small and medium sized businesses throughout the United States.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Reclassification**

Certain amounts from prior periods have been reclassified to conform to the current period presentation. There is no effect on net loss, cash flows or stockholders' deficit as a result of these reclassifications.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and

accompanying notes. Estimates are adjusted to reflect actual experience when necessary. Significant estimates and assumptions affect many items in the financial statements. These include estimates of fair value of common stock and related impact to stock-based compensation. Actual results may differ from those estimates and assumptions, and such results may affect income, financial position or cash flows.

### **Cash and cash equivalents**

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at February 28, 2013.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At February 28, 2013 the balance did not exceed the federally insured limit.

### **Risks and Uncertainties**

The Company's operations are subject to significant risk and uncertainties including financial, operational, technological, and regulatory risks including the potential risk of business failure. Also see Note 3 regarding going concern matters.

### ***Derivative Financial Instruments***

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

The Company reviews the terms of the common stock, warrants and convertible debt it issues to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. The Company uses a lattice model for valuation of the derivative. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The discount from the face value of the convertible debt, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to interest expense, using the effective interest method.

Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net cash settlement of the derivative instrument could be required within the 12 months of the balance sheet date.

### **Loss per share**

In accordance with accounting guidance now codified as FASB ASC Topic 260, "*Earnings per Share*," basic earnings (loss) per share is computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Since the Company reflected a net loss for the three and nine month periods ended February 28, 2013, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

Warrants to purchase an aggregate of up to 22,500,000 shares of restricted common stock at \$0.006 per share, having a five year term, standard anti-dilution and a cashless exercise provision were issued on July 31, 2012. Additionally, warrants to purchase up to 500,000,000 shares of common stock at \$0.002 per share were issued in January of 2012. No warrants have been exercised as of February 28, 2013.

	<b><u>Three Months Ended February 28, 2013</u></b>	<b><u>Nine Months Ended February 28, 2013</u></b>
Net loss per share – basic and diluted	\$ (256,754)	\$ (551,614)
Weighted average number of shares issued and outstanding - basic and diluted	1,272,933,669	1,114,853,211

The securities listed below were not included in the computation of diluted earnings per share as the effect from their conversion would have been anti-dilutive:

	<b><u>Common Stock Equivalent</u></b>	
	<b><u>February 28, 2013</u></b>	<b><u>May 31, 2012</u></b>
Convertible preferred shares – Series A	500,000,000	--
Convertible preferred shares – Series B	190,476,190	--
Convertible notes payable	739,965,787	258,087,000
Outstanding warrants to purchase common stock	<u>522,500,000</u>	<u>500,000,000</u>
Total	1,482,691,977	758,087,000

## Share Based Payments

Generally, all forms of share-based payments, including stock option grants, restricted stock grants and stock appreciation rights, are measured at their fair value on the awards' grant date, and based on the estimated number of awards that are ultimately expected to vest. Share-based payment awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from share-based payments are recorded as non-cash stock based compensation, which is an operating expense.

## Research and Development Costs

The Company is engaged in ongoing research and development ("R&D") activities. The Company accounts for R&D under standards issued by the Financial Accounting Standards Board ("FASB"). Under these standards, all R&D costs must be charged to expense as incurred. Accordingly, internal R&D costs are expensed as incurred. Third-party R&D costs are expensed when the contracted work has been performed or as milestone results have been achieved. The costs associated with equipment or facilities acquired or constructed for R&D activities that have alternative future uses are capitalized and depreciated on a straight-line basis over the estimated useful life of the asset. The amortization and depreciation for such capitalized assets are charged to R&D expenses.

## Beneficial conversion features

From time to time, the Company may issue convertible notes that may contain an imbedded beneficial conversion feature. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of the warrants, if related warrants have been granted. The intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

## Impairment of Long-Lived Assets

The Company has adopted Accounting Standards Codification subtopic 360-10, Property, Plant and Equipment ("ASC 360-10"). ASC 360-10 requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates its long-lived assets for impairment annually or more often if events and circumstances warrant. Events



relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of long-lived assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

### ***Revenue Recognition***

The Company recognizes revenue in accordance with accounting principles generally accepted in the United States of America. The Company's current revenue stream consists primarily of 'right-to-use' licenses for hosted software applications. The licenses are contracted over a year and paid for in advance on either a quarterly or monthly basis. Revenue is recognized in the period that is contracted in arrears and any payments for periods beyond the current reporting period are classed as deferred revenue in payables.

Revenues are recognized when persuasive evidence of an arrangement exists, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, delivery of the service and or product has occurred, and no other significant obligations on the part of the Company remain.

In future periods, the Company plans to recognize most of its revenue in accordance with software industry specific GAAP.

### ***Prepaid Expenses***

The Company has capitalized pre-payments pursuant to consulting agreements. The prepaid expenses are amortized over the term of the consulting agreements or in line with the specific performance milestones within the agreements.

### ***Property and Equipment***

Property and equipment are stated at cost. The Company amortizes the cost of property and equipment over their estimated useful lives at the following annual rates:

Computer equipment	33%	straight-line basis
Furniture and equipment	20%	straight-line basis
Acquired IP and software	15%	straight-line basis

### ***Comprehensive Loss***

ASC 220, "Comprehensive Income," establishes standards for the reporting and presentation of comprehensive income (loss) and its components in the financial statements. As at February 28, 2013 the Company reported \$1,242 in comprehensive gain, representing the translation difference for foreign currency assets held into U.S. Dollars in the group balance sheet. See below.

### ***Foreign Currency Translation***

The Company's functional currency is U.S. Dollars. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into US dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into US dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

## ***Income Taxes***

The Company accounts for income taxes in accordance with standards of disclosure propounded by the FASB, and any related interpretations of those standards sanctioned by the FASB. Accordingly, deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities, as well as a consideration of net operating loss and credit carry forwards, using enacted tax rates in effect for the period in which the differences are expected to impact taxable income. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized.

No provision for income taxes has been recorded due to the net operating loss carry forwards totaling approximately of February 28, 2013 that will be offset against future taxable income. No tax benefit has been reported in the financial statements as they cannot be accurately measured due to uncertainties in . There were no uncertain tax positions taken by the Company.

## **NOTE 3 – GOING CONCERN**

As reflected in the accompanying financial statements, the Company has a net loss of \$256,754 and \$551,614 for the three and nine month periods ended February 28, 2013 and net cash generated from operations of \$52,750 for the nine months ended February 28, 2013. The Company had a working capital surplus of \$42,555 and a stockholders' surplus of \$264,129 at February 28, 2013.

As a result, the accompanying financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the company be unable to continue as a going concern.

The Company plans to seek additional funds to finance its immediate and long-term operations and business plan through debt and/or equity financing. The successful outcome of future financing activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan.

ULTIMATELY, THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN IS DEPENDENT UPON ITS ABILITY TO ATTRACT NEW SOURCES OF CAPITAL, AND EXPLOIT THE GROWING VOIP TELECOM AND DATA SERVICES MARKET IN ORDER TO ATTAIN A REASONABLE THRESHOLD OF OPERATING EFFICIENCY AND ACHIEVE SUSTAINED PROFITABLE OPERATIONS.

## **NOTE 4 – FAIR VALUE**

The Company has categorized its assets and liabilities recorded at fair value based upon the fair value hierarchy specified by GAAP. All assets and liabilities are recorded at historical cost which approximates fair value, and therefore, no items were valued according to these inputs.

The levels of fair value hierarchy are as follows:

- ☐ Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;
- ☐ Level 2 inputs utilize other-than-quoted prices that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs such as interest rates and yield curves that are observable at commonly quoted intervals; and
- ☐ Level 3 inputs are unobservable and are typically based on our own assumptions, including situations where there is little, if any, market activity.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the Company categorizes such financial asset or liability based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. All assets and liabilities are at cost which approximates fair value and there are not items that were required to be valued on a non recurring basis.

No items were valued at fair value on a recurring basis as of February 28, 2013.

## **NOTE 5 – ACQUISITION OF VOIP ACQ**

On January 17, 2012, AXLX acquired substantially all of the assets and liabilities of VOIP ACQ, Inc. (“VOIP”) in exchange for a total of 1,150,000,000 shares of AXLX’s restricted common stock (the “Shares”) pursuant to a definitive Contribution Agreement dated November 30, 2011 by and among the AXLX and VOIP (the “Contribution Agreement”). Three hundred fifty million (350,000,000) of the Shares were issued immediately upon Closing, and the remaining eight hundred million (800,000,000) shares were issued on June 6, 2012, the date on which AXLX’s Articles of Incorporation were amended to increase the number of total authorized shares of common stock to 3,000,000,000.

Although AXLX is the legal acquirer, for accounting purposes VOIP is the accounting acquirer. Therefore, as a result of this transaction, we acquired \$1,320 in fair value of assets, and \$831,994 in liabilities.

In June of 2012, VOIP ACQ, Inc. surrendered five hundred million (500,000,000) shares of common stock in exchange for 500,000 shares of Series A Convertible Preferred Shares. The Series A Convertible Preferred Shares are convertible into a total of 500,000,000 shares of common stock and carry voting rights of 5,000 votes for each preferred share. The above description of the Series A Convertible Preferred Shares is qualified in its entirety by the Certificate of Designation of Series A Convertible Preferred Stock, which is attached as an Exhibit to the Company’s Annual Report filed on August 2, 2012, and incorporated herein by reference.

Separate from the Contribution Agreement, as a hiring and retention incentive, we issued warrants to purchase up to 500,000,000 shares of restricted common stock at \$0.002 per share, immediately vested and having a term of 4 years, to Vincent Browne, as part of his employment agreement. These warrants were valued at \$999,122 and we recorded \$62,445 and \$62,445 in expense in the three and nine month periods ended February 28, 2013, respectively, related to these warrants.

## **NOTE 6 - DISPOSITION OF AXIOLOGIX HOLDINGS**

On May 10, 2012, AXLX sold one of its subsidiaries, Axiologix Holdings, Inc. (“AX Holdings”), which included all of the assets and properties, subject to all the liabilities, debts, obligations and contracts of the ‘Education Business’ to Mr. John Daglis for 24,043,595 shares of restricted common stock of AXLX owned by Mr. Daglis. The “Education Business”, as set forth in Exhibit A of the Agreement and Plan of Corporate Separation and Reorganization, is defined as the operations of AXLX as conducted immediately prior to the Contribution Agreement by and among AXLX and VOIP ACQ that closed on January 17, 2012, and does not reflect the business operations of VOIP ACQ acquired in connection with that transaction. The foregoing description of the Education Business disposition is qualified in its entirety by reference to the full text of the Agreement and Plan of Corporate Separation and Reorganization, which was attached as an Exhibit to the Supplemental Information Statement filed on May 17, 2012, and is incorporated herein by reference.

As a result of this sale, we recorded a loss on the sale of \$1,040,524 for the twelve month period ended May 31, 2012.

## **NOTE 7 – ACQUISITION OF PRIME CARRIER**

On March 5, 2012 AXLX acquired substantially all of the assets of Prime Carrier Limited via a wholly subsidiary, Axiologix Limited, in exchange for a secured promissory note in the amount €510,502 (Five Hundred Ten Thousand Five Hundred and Two Euros) issued to ETV Capital S.A. and ACT Venture Capital Limited, Prime Carrier’s secured lenders (the “Secured Lenders”). This note is repayable in monthly installments over 24 months from March 5, 2012 and has a first secured lien over the assets of Axiologix Limited. AXLX has also provided a guaranty for the payments of the Note. AXLX also issued 20,000,000 shares of restricted common stock to the Secured Lenders. 20,000,000 of the shares originally issued to VOIP were returned to AXLX in exchange, because part of the original consideration for VOIP included the subsequent acquisition of Prime Carrier. In addition,

the Secured Lenders shall receive additional shares of restricted common stock if the Highest Average Trading Price (“HATP”) falls within the following price per share amounts for thirty consecutive trading days prior to September 30, 2013: (i) 6,666,666 restricted common shares if the HATP is less than \$0.008 per share but greater than or equal to \$0.006 per share, (ii) 12,000,000 shares if the HATP is less than \$0.006 per share but greater than or equal to \$0.0045 per share, or (iii) 20,000,000 shares if the HATP is less than \$0.0045 per share.

On February 22, 2013, Ironridge Global IV, Ltd. purchased the total outstanding amounts owed to the Secured Lenders, and subsequently settled that amount owed in exchange for shares of AXLX common stock. (See Note 8: Ironridge for more details).

## **NOTE 8 – IRONRIDGE**

On February 22, 2013, AXLX and Ironridge Global IV, Ltd (“IV”) settled \$802,889.00 in AXLX accounts payable, now owned by IV, in exchange for shares of AXLX common stock. Pursuant to an order approving stipulation for settlement of claims between IV and AXLX, IV is entitled to receive 10 million common shares plus that number of shares with an aggregate value equal to the debt amount plus a 10% third-party agent fee, and reasonable attorney fees, divided by 70% of the following: the closing price of AXLX’s common stock on the date prior to entry of the order, not to exceed the arithmetic average of the individual daily volume weighted average prices of any five trading days during a period equal to that number of consecutive trading days following the date of initial receipt of shares required for the aggregate trading volume to exceed \$9 million.

IV received an initial issuance of 150 million unrestricted AXLX common shares, and may be required to return or be entitled to receive additional shares, based on the calculation summarized in the prior paragraph. For purposes of calculating the percent of class, the reporting persons have assumed that there were a total of 1,435,370,902 shares of common stock outstanding immediately prior to the issuance of shares to IV, such that the shares initially issued to IV would represent approximately 9.99% of the outstanding common stock after such issuance. IV is prohibited from receiving any shares of common stock that would cause it to be deemed to beneficially own more than 9.99% of the issuer’s total outstanding shares at any one time.

In connection with the transaction, IV agreed not to hold any short position in the issuer’s common stock, and not to engage in or effect, directly or indirectly, any short sale until at least 180 days after the end of the calculation period.

IV is not a registered broker-dealer or an affiliate of a registered broker-dealer. Voting and dispositive power with respect to shares of common stock owned by IV is exercised by Peter Cooper, Director. However, for so long as IV holds any shares, it is prohibited from, among other actions: (1) voting any shares of issuer common stock owned or controlled by them, exercising any dissenter’s rights, executing or soliciting any proxies or seeking to advise or influence any person with respect to any voting securities of the issuer; (2) engaging or participating in any actions or plans that relate to or would result in, among other things, (a) acquiring additional securities of the issuer, alone or together with any other person, which would result in them collectively beneficially owning or controlling, or being deemed to beneficially own or control, more than 9.99% of the total outstanding common stock or other voting securities of the issuer, (b) an extraordinary corporate transaction such as a merger, reorganization or liquidation, (c) a sale or transfer of a material amount of assets, (d) changes in the present board of directors or management of the issuer, (e) material changes in the capitalization or dividend policy of the issuer, (f) any other material change in the issuer’s business or corporate structure, (g) actions which may impede the acquisition of control of the issuer by any person or entity, (h) causing a class of securities of the issuer to be delisted, (i) causing a class of equity securities of the issuer to become eligible for termination of registration; or (3) any actions similar to the foregoing.

We believe our offering and sale of the securities in the above transaction, made only to an accredited investor, was exempt from registration under Section 3(a)(10) of the Securities Act.

## **NOTE 9 - CONVERTIBLE NOTES PAYABLE**

### **For the Three and Nine Months Ended February 28, 2013:**

As of February 28, 2013, the Company had \$364,362 of principal balance on promissory notes issued and outstanding, \$304,575 of which is convertible at a discount to the current market price of the Company’s common stock, with discounts ranging from 20% to 70%. As of February 28, 2013, the Company had accrued interest payable of \$37,843. Interest expense totaled \$126,108 and \$319,463 for the three and nine month period ended February 28, 2013, respectively. Of the \$319,463 charge for

the nine months ending February 28, 2013, \$97,473 represented amortization of debt discount on convertible notes and \$80,289 was a one time charge associated with the Ironridge transaction.

During the three and nine month periods ended February 28, 2013, the Company converted \$94,275 and \$26,100 respectively, of outstanding promissory notes into 289,071,065 and 536,672,691 shares of common stock, respectively, at prices ranging from \$0.0005 per share to \$0.000122 per share.

During the three months ended February 28, 2013, the Company issued the following new promissory notes or entered into the following investment transactions:

On January 17, 2013, the Company issued two \$17,500 convertible promissory notes to two accredited investors in exchange for a \$35,000 investment. These notes carry accrue 12% interest per annum and are convertible at 50% of the Market Price at the date of conversion and each have a maturity date of January 17, 2014.

On February 20, 2013, the Company issued a convertible promissory note in the principal amount of \$20,000 to an accredited investor, accruing 8% interest per annum and convertible at 67% of the Market Price at the date of conversion and having a maturity date of February 20, 2014.

On February 25, 2013, the Company issued two \$5,000 convertible promissory notes to two accredited investors in exchange for a \$10,000 investment. These notes accrue 12% interest per annum and are convertible at 50% of the Market Price at the date of conversion and each have a maturity date of August 28, 2014.

During the nine months ended February 28, 2013, the Company entered into the following investment transactions, in addition to the above:

On July 31, 2012, the Company issued a \$15,000 convertible promissory note to an accredited investor in exchange for a \$15,000 investment. The note carries a 5% interest rate per annum, matures on January 31, 2013 and is convertible into shares of common stock at the conversion price per share equal to the greater of i) a twenty percent (20%) discount to the Per Share Market Price, which is defined as the average of the lowest three (3) trading days daily dollar volume-weighted average price, and ii) the fixed conversion price of \$0.00009 per share. On February 10, 2013, the maturity date of this Note was extended to August 10, 2013 and the conversion price was modified to be equal to the greater of i) a thirty three percent (33%) discount to the Per Share Market Price, and ii) the fixed conversion price of \$0.00009 per share.

On July 31, 2012 the Company entered into a Subscription Agreement with an accredited investor (the "Subscriber") for an investment of \$90,000 (the "Offering"), which closed on August 2<sup>nd</sup>, in which we issued (i) a subordinated secured convertible promissory note at a 22% original investment discount and having an interest at a rate of 8% per annum, convertible at \$0.006 per share into an aggregate of up to 15,000,000 shares of restricted common stock, with standard anti-dilution provisions and a maturity date of 6 months after the Closing (the "Note"), (ii) warrants to purchase an aggregate of up to 22,500,000 shares of our restricted common stock at \$0.006 per share, having a five year term, standard anti-dilution and a cashless exercise provision (the "Warrants"), and (iii) 400,000 shares of Series B Convertible Preferred Stock, convertible into shares of common stock at the market price at the time of conversion and redeemable by the Company 18 months after the Closing (the "Preferred Shares"). Additionally, 20% of the gross proceeds from any capital raise that the Company closes prior to the end of 18 months shall also be used to repay the Note and redeem the Preferred Shares. The Subscriber has also been granted a subordinated security interest in all of our assets. In addition, all of our officers and 5% or greater shareholders have agreed not to sell their shares for twelve months, as further described in the Lock Up Agreement attached hereto as an Exhibit. The foregoing description of the financing transaction is qualified in its entirety by reference to the full text of the Subscription Agreement, Debenture, Warrant, Certificate of Designation of Series B Convertible Preferred Stock, Lock-Up Agreement, Subsidiary Guarantee and Security Agreement which were attached as Exhibits to the Company's Supplemental Information Statement filed on August 13, 2012 and are incorporated herein by reference.

As the subordinated secured convertible promissory note was issued in conjunction with warrants, the Company recorded a Debt Discount of \$90,000 that is amortized over the life of the note as interest charge. The unamortized discount is netted setoff against the principal balance in the Balance Sheet incorporated in this report. As of February 28, 2013 this Note was in default. Management are in active discussions with the holder with a view to extending the term of the note are confident that a successful outcome will result from these discussions.

### **From the period of inception to May 31, 2012:**

As of October 5, 2011, the Company had \$433,098 principal balance on promissory notes issued and outstanding. \$399,098 of this balance was convertible into common stock on terms set out below.

On September 7, 2010, the Company entered into two \$100,000 Convertible Promissory Notes pursuant to two consulting agreements with third parties. The notes carry an annual interest rate of 15% and are convertible into common stock at a variable conversion rate. The variable conversion rate is 50% of the lowest closing price for the Company's common stock during the previous 20 trading days from the notice of conversion. The note holders agreed that they will not submit conversion notices or enforce conversion rights requiring the Company to issue a number of common shares which exceeds the unissued authorized common shares of the Company. The Company has evaluated the conversion feature of the notes and determined that there was a \$200,000 beneficial conversion feature on these notes as the conversion price was less than the fair value of the common stock at the time of issuance. The beneficial conversion feature was recorded as a debt discount on the accompanying balance sheet. One of the \$100,000 notes has been fully converted as of February 28, 2013. The remaining note has a principal balance owed of \$100,000 as of February 28, 2013 and a maturity date of March 15, 2013.

From the date of inception to the year ended May 31, 2012, the Company converted \$116,466 of promissory notes into common stock, resulting in the issuance of 69,949,017 shares of common stock. Conversions were according to the terms of the convertible note agreements and so no gain or loss was recorded at the time of conversion. (See Note 6).

In April of 2012 the Company entered into a Forbearance Agreement on two promissory notes issued in February of 2011 and June of 2011 totaling \$75,000 which are due and currently outstanding. The Forbearance Agreement has a repayment plan whereby the Company agrees to pay Seventy Five Thousand Dollars (\$75,000) over a period of two hundred twenty five (225) days in nine (9) installments, \$12,500 of which has been paid as of May 31, 2012, leaving a balance of \$62,500 as of May 31, 2012. The notes have a default interest rate of 22% and are convertible into common stock at a variable conversion rate. The variable conversion rate is 58% of the average of the three lowest closing bid prices of the Company's common stock during the previous 10 trading days from the notice of conversion.

In October of 2012, the Company defaulted on its repayment plan under this Forbearance Agreement. Consequently, in October of 2012, the note holder converted one of the two promissory notes under the Forbearance Agreement in full for 39,268,293 shares of common stock. The second convertible promissory note in the default amount of \$48,750 was sold to two third party accredited investors on January 17, 2013 and converted into 122,789,680 shares of common stock, with \$10,000 remaining outstanding.

As of May 31, 2012, the Company had \$332,288 promissory notes issued and outstanding. A portion of that, \$210,000, were convertible into common stock at various prices.

As of May 31, 2012 and October 5, 2011, the Company had accrued interest payable of \$50,869 and \$71,243, respectively. Interest expense totaled \$ period ended May 31, 2012.

### **NOTE 10 – STOCKHOLDERS' SURPLUS (DEFICIT)**

As of February 28, 2013, the Company is authorized to issue up to 8,000,000,000 shares of common stock, at \$0.0001 par value, and up to 10,000,000 shares of preferred stock. At February 28, 2013, there were 1,623,977,303 common shares issued and outstanding and 900,000 shares of preferred stock outstanding, including 500,000 shares of Series A Convertible Preferred and 400,000 shares of Series B Convertible Preferred.

On February 26, 2013, the Company amended its Articles of Incorporation to increase the total authorized shares of common stock from 3,000,000,000 to 8,000,000,000.

On October 12, 2012, the Company amended its Articles of Incorporation to decrease the par value of its common stock from \$0.001 par value per share to \$0.0001 par value per share.

As of May 31, 2012, the Company was authorized to issue up to 750,000,000 shares of common stock and 10,000,000 shares of preferred stock. At May 31, 2012, there were 575,304,612 common shares issued and outstanding and 500,000 shares of Series A Convertible Preferred Stock.

**During the Three and Nine Months Ended February 28, 2013:**

During the three months ended February 28, 2013, the Company issued 289,071,065 shares of unrestricted common stock to 5 convertible debt holders pursuant to the conversion of convertible promissory notes, reducing the Company's debt obligations by \$94,275. Also during the three months ended February 28, 2013, the Company issued 150,000,000 shares of unrestricted common stock to Ironridge pursuant to a settlement of debts of \$802,889 (See Note 8: Ironridge for more details).

In October and November of 2012, the Company issued 17,000,000 shares of restricted common stock to two consultants for services rendered.

In August of 2012 the Company issued 45,000,000 shares of restricted common stock to Dennis Mitrano as part of his employment agreement. (See Note 11: Management and Board of Directors Changes for more details.)

In July of 2012, the Company issued 150,000,000 shares of common stock to 6 convertible debt holders, reducing its principal balance obligation by \$47,000.

Also in July of 2012, the Company issued to an accredited investor as part of a \$90,000 investment, 400,000 shares of Series B Convertible Preferred Stock, convertible into shares of common stock at the market price at the time of conversion and redeemable by the Company 18 months after the Closing. (See Note 8: Convertible Promissory Notes for more details).

In June of 2012, VOIP ACQ, Inc. surrendered five hundred million (500,000,000) shares of common stock in exchange for 500,000 shares of Series A Convertible Preferred Shares. The Series A Convertible Preferred Shares are convertible into a total of 500,000,000 shares of common stock and carry voting rights of 5,000 votes for each preferred share. The above description of the Series A Convertible Preferred Shares is qualified in its entirety by the Certificate of Designation of Series A Convertible Preferred Stock, which is attached as an Exhibit to the Company's Annual Report filed on August 2, 2012, and incorporated herein by reference.

**During the Year Ended May 31, 2012:**

On January 17, 2012, AXLX acquired substantially all of the assets and liabilities of VOIP ACQ, Inc. ("VOIP") in exchange for a total of 1,150,000,000 shares of AXLX restricted common stock (the "Shares") pursuant to a definitive Contribution Agreement dated November 30, 2011 among AXLX and VOIP (the "Contribution Agreement"). Three hundred fifty million (350,000,000) of the Shares were issued immediately upon Closing, and were valued at \$700,000. The remaining eight hundred million (800,000,000) shares were issued on June 6, 2012, the date on which AXLX's Articles of Incorporation were amended to increase the number of total authorized shares of common stock to 3,000,000,000.

On January 17, 2012, pursuant to the terms of Vincent Browne's 4-year employment agreement, the Company issued to Mr. Browne warrants to purchase up to 500,000,000 shares of restricted common stock exercisable at \$0.002 per share, the market price of AXLX stock on the Closing Date, having a term of 4 years and a total value of \$999,122.

On March 5, 2012, the Company issued 20,000,000 shares of restricted common stock to ETV, one of AXLX subsidiaries' creditors, as part of the consideration for the acquisition of Prime Carrier by AXLX. 20,000,000 of the shares originally issued to VOIP were returned to AXLX in exchange, because part of the original consideration for VOIP included the subsequent acquisition of Prime Carrier.

On April 18, 2012, the Company issued 5,000,000 shares of restricted common stock for services. The shares were valued at the closing trading price of the Company's common stock at the time of issuance, \$0.002 per share, and accordingly the Company recorded \$10,000 of stock based compensation.

In May of 2012, the Company issued 67,000,000 shares of common stock to 4 convertible debt holders, reducing its principal obligation by \$28,500.

## **NOTE 11 – RELATED PARTY TRANSACTIONS**

In June of 2012, VOIP ACQ, Inc. surrendered five hundred million (500,000,000) shares of common stock in exchange for 500,000 shares of Series A Convertible Preferred Shares. The Series A Convertible Preferred Shares are convertible into a total of 500,000,000 shares of common stock and carry voting rights of 5,000 votes for each preferred share. Vincent Browne controls and is a 70% owner of VOIP ACQ, Inc. (See Note 5: Acquisition of VOIP ACQ).

For the Year Ended May 31, 2012:

During the year ended May 31, 2012, the officers and directors together loaned the Company a total of \$55,000, as follows: Mr. Daglis: \$25,000, \$20,000 of which was assigned to a trust, E&CR Trust, controlled by Mr. Daglis; Mr. Schafer: \$18,000; Mr. Romito: \$3,000, and Mr. Siliunas: \$4,000. The notes carry an interest rate of 20% per annum and are convertible to common stock at the lesser of \$0.007 or 70% of the average closing price of the previous 20 trading days. The Company repaid \$1,000 to one officer, Emily Vassallo, for an outstanding loan.

Subsequently, on December 5, 2011, each officer and director signed an addendum to their promissory notes that set the total amounts owed to all directors and officers at \$40,000, with no further interest accruing, and grants the holders a right to convert into a total of 10% of the Company's common stock at the time of conversion, broken down as follows: Mr. Daglis: 1.02%; E&CR Trust: 5%; Mr. Schafer: 1.58%; Mr. Romito: 0.25%; Mr. Siliunas: 0.75%, Mr. Ramadan: 1.14%, and Ms. Vassallo: 0.26%. Additionally, all of these Notes will automatically convert into a total of 10% of the Company's common stock immediately upon the completion of a reverse stock split. The form of the Addendum to these related party promissory notes is attached and incorporated herein by reference.

On January 17, 2012 the Company entered into a 4 year employment agreement with Mr. Vincent Browne. Pursuant to the terms of his 4 year employment agreement, Mr. Browne will receive salary in the amount of \$150,000 per year and warrants to purchase up to 500,000,000 shares of restricted common stock at \$0.002 per share, the market price of AXLX stock on the Closing Date, having a term of 4 years. He will be entitled to participate in other employee benefit plans to the same extent provided to other executive officers. The foregoing description of the terms of employment of Mr. Browne is qualified in its entirety by reference to the full text of Mr. Browne's Employment Agreement and Warrant, which are attached as Exhibits to the Company's Initial Disclosure Statement filed on April 20, 2012, and are incorporated herein by reference.

On March 5, 2012 AXLX acquired substantially all of the assets of Prime Carrier Limited via a wholly subsidiary, Axiologix Limited. (See Note 6: Acquisition of Prime Carrier). Vincent Browne controls and is a 66% owner of Prime Carrier Limited.

Also in March of 2012, Vincent Browne, our CEO, CFO and Chairman of the Board, loaned the Company \$19,788. This loan carries no interest and is due on demand.

On May 10, 2012, AXLX sold one of its subsidiaries, Axiologix Holdings, Inc. ("AX Holdings"), which included all of the assets and properties, subject to all the liabilities, debts, obligations and contracts of the 'Education Business' to Mr. John Daglis for 24,043,595 shares of restricted common stock of AXLX owned by Mr. Daglis. (See Note 5: Acquisition of VOIP and Subsequent Disposition of Axiologix Holdings).

## **NOTE 12 - MANAGEMENT AND BOARD OF DIRECTORS CHANGES**

Effective August 17, 2012, Dennis Mitrano was appointed as President of Telecom Operations of the Company. Axiologix entered into an employment agreement with Mr. Mitrano, effectuating the following: (i) Mr. Mitrano's title is President of Telecom Operations of Axiologix; (ii) Mr. Mitrano will receive a salary in the amount of \$150,000 per year; (iii) Mr. Mitrano was issued 45,000,000 shares of immediately vested restricted common stock; (iv) Mr. Mitrano is eligible to earn a performance related bonuses of up to 50% of his salary; (v) Mr. Mitrano is eligible for long term incentive compensation based on performance, of 2% of the then total issued and outstanding shares of the Company's common stock, vesting over a period of three years such that 1/4 of the shares issued vest immediately, and 1/4 vest at each annual anniversary thereafter, and as further described in his employment agreement; and (vi) after the first six months of employment, the Board of Directors of Axiologix will review Mr. Mitrano's performance and the terms of his employment agreement and may, in its sole discretion, extend the term of his Agreement to a period of three years, including a nine month severance payment. The foregoing description of Mr.



Mitrano's Employment Agreement is qualified in its entirety by reference to the full text of the Employment Agreement, which is attached hereto as Exhibit 1 and is incorporated herein by reference.

Effective September 21, 2012, Dennis Mitrano was elected as a director of the Company.

The following is a description of the business experience of Mr. Mitrano for at least the past five years:

**Dennis Mitrano, age 57.** Mr. Mitrano became President of Telecom Operations of AXLX on August 17, 2012. Mr. Mitrano is also currently President & CEO for Realistic Solutions, Inc. and has served in that capacity since July 1992. Mr. Mitrano has over 30 years experience bringing technologies and companies to market. Prior to joining AXLX, Mr. Mitrano was President with DayStar Communications since January 2011 and will remain in that position through the closing date of its pending acquisition, which is anticipated to be September 29, 2012. Prior to that, from April 2007 to January of 2011, Mr. Mitrano was with Intellectual Property Partners in the capacity of Partner. Mr. Mitrano holds an MBA from George Washington University, majoring in Finance and International Business, and received a Bachelor of Science in Finance from Virginia Tech. He is currently on the advisory boards of two early stage firms, is an Executive Advisory Board member of ATP (Association for Telecom Professionals) and has been involved with TAG (Technology Association of Georgia) for over 10 years. Mr. Mitrano is also a member of the Turnaround Management Association.

For the Year Ended May 31, 2012:

On January 17, 2012, as part of the closing of the VOIP transaction, each executive officer and member of the Board of Directors of AXLX resigned, with the exception of John Daglis who remained on the Board of Directors until he resigned on May 11, 2012.

Also on January 17, 2012, Mr. Daglis resigned as CEO and Ms. Vassallo resigned as Corporate Secretary, and Vincent Browne became Chief Executive Officer, Chief Financial Officer, Corporate Secretary and a member of the Board of Directors of AXLX.

## **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

### ***Consulting Agreement***

In September 2010, the Company entered into two four-month consulting agreements with unrelated third parties to provide consulting services. In exchange for the services provided, the Company issued two convertible promissory notes totaling \$200,000 due March 15, 2013. As of February 28, 2013, one note, in the original principal amount of \$100,000 remains due and outstanding. See Note 9 – Convertible Promissory Notes for more details.

### ***Litigation***

The Company is not currently involved in any litigation that it believes could have a material adverse effect on its financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

## **NOTE 14 – DERIVATIVE LIABILITY**

The Company evaluated the conversion feature embedded in the convertible notes to determine if such conversion feature should be bifurcated from its host instrument and accounted for as a freestanding derivative. Due to the note not meeting the definition of a conventional debt instrument because it contained a diluted issuance provision, the convertible notes were accounted for in accordance with ASC 815. According to ASC 815, the derivatives associated with the convertible notes were recognized as a discount to the debt instrument, and the discount is being amortized over the life of the note and any excess of the derivative value over the note payable value is recognized as additional interest expense at issuance date. The company also evaluated all common stock equivalents to determine if these instruments were tainted due to the embedded derivative.

Further, and in accordance with ASC 815, the embedded derivatives are revalued at each balance sheet date and marked to fair value with the corresponding adjustment as a “gain or loss on change in fair value of derivatives” in the statement of operations.

As of February 28, 2013 the fair value of the embedded derivatives included on the accompanying balance sheet was \$0. During the three months ended February 28, 2013, the Company did not recognize any changes in fair value of derivative liability totaling. Key assumptions used in the valuation of derivative liabilities associated with the convertible notes at February 28, 2013 were as follows:

- ☐ The stock price would fluctuate with an annual volatility ranging from 281% to 326% based on the historical volatility for the company.
- ☐ An event of default would occur 1% of the time, increasing 1.00% per month to a maximum of 10%.
- ☐ Alternative financing for the convertible notes would be initially available to redeem the note 10% of the time and increase monthly by 0.2% to a maximum of 20%.
- ☐ The holder would automatically convert the notes at maturity if the registration was effective and the company was not in default.

The Company classifies the fair value of these securities under level three of the fair value hierarchy of financial instruments. The fair value of the derivative liability was calculated using a lattice model that values the compound embedded derivatives based on a probability weighted discounted cash flow model. This model is based on future projections of the various potential outcomes. The embedded derivatives that were analyzed and incorporated into the model included the conversion feature with the full ratchet reset, and the redemption options.