

Quarterly Report

for the 3 Months Ending September 30, 2017

XALLES HOLDINGS INC.

TABLE OF CONTENTS

Item 1	Name of the issuer and its predecessors
Item 2	Address of the issuer's principal executive offices
Item 3	Security Information
Item 4	Issuance History
Item 5	Financial Statements
Item 6	Description of Business
Item 7	Facilities
Item 8	Officers, Directors, and Control Persons
Item 9	Third Party Providers
Item 10	Issuer Certification

Forward-looking Statements

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

As used in this annual report, the terms "we", "us", "our", "the Company", and "Xalles" mean Xalles Holdings Inc., unless otherwise indicated.

All dollar amounts refer to US dollars unless otherwise indicated.

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

XALLES HOLDINGS INC.

Note: The Company was incorporated as Stella Blu, Inc. in 2009 in the state of Nevada and renamed to Xalles Holdings Inc. on August 21, 2015.

EIN: 80-0524316

Item 2. Address of the issuer's principal executive offices

COMPANY INFORMATION

Principal Address: 2020 Pennsylvania Ave. NW, #527, Washington DC 20006

Principal Contact: Thomas Nash, CEO

Telephone Number: (202) 595-1299

Email address: twlash@xalles.com

Company website: www.xalles.com

INVESTOR RELATIONS INFORMATION

Firm: I-Business Management, LLC

Principal Address: 4223 Autumn Palm Drive Zephyrhills FL 33542

Contact Person: Teresa Misenheimer

Telephone Number: 813-500-7332

Contact Email: teresa@i-businessmanagementllc.com

Company website: www.i-businessmanagementllc.com

Item 3. Security Information

All Security information is current as of November 7, 2017.

Class:	Common Shares
Trading Symbol:	XALL
CUSIP:	98388D107
Par Value:	\$0.0001
Total Authorized:	500,000,000
Total Outstanding:	136,015,000
Restricted Outstanding:	124,615,000
Non-Restricted Outstanding:	11,400,000

Class:	Preferred Shares, Series A
Trading Symbol:	n/a
CUSIP:	n/a
Par Value:	\$0.001
Total Authorized:	5,000,000
Total Outstanding:	1,000,000
Restricted Outstanding:	1,000,000
Non-Restricted Outstanding:	0

Class:	Preferred Shares, Series B
Trading Symbol:	n/a
CUSIP:	n/a
Par Value:	\$0.001
Total Authorized:	1,000,000
Total Outstanding:	1,000,000
Restricted Outstanding:	1,000,000
Non-Restricted Outstanding:	0

Transfer Agent:	VStock Transfer LLC
Address:	18 Lafayette Place, Woodmere, NY 11598
Telephone:	212-828-8436
Email:	info@vstocktransfer.com
Note:	Transfer Agent is 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.

List any stock split, stock dividend, recapitalization, merger, acquisition, spinoff, or reorganization either currently anticipated or that occurred within the past 12 months: None.

Item 4. Issuance History

Background Information

On July 14, 2015, the Company entered into an Agreement with Xalles Limited ("Xalles Limited"), a Delaware corporation, Arrowvista Corporation ("Arrowvista"), a Delaware corporation, Xalles Singapore Pte. Ltd. ("Xalles Singapore"), a Singapore corporation, and the shareholders of Xalles, Arrowvista, and Xalles Singapore. Pursuant to the Agreement, Xalles Limited, Arrowvista, and Xalles Singapore will become wholly-owned subsidiaries of the Company in exchange for the issuance of certain shares. Xalles Limited became a wholly-owned subsidiary by the issuance of 19,500,000 shares of common stock on July 16, 2015. Arrowvista will become a wholly-owned subsidiary by the issuance of 4,500,000 shares of common stock on or before June 30, 2016. Xalles Singapore will become a wholly-owned subsidiary by the issuance of 2,250,000 shares of common stock on or before June 30, 2016. The consummation of the transactions set forth in the Agreement are subject to certain conditions. The original shareholders of the Company agreed to fund \$300,000 to support the current operations and continued development of the business. The share purchase agreement was a capital transaction in substance and therefore has been accounted for as a reverse capitalization. Under reverse capitalization accounting, Xalles Limited was considered the acquirer for accounting and financial reporting purposes, and acquired the assets and assumed the liabilities of the Company. Assets acquired and liabilities assumed are reported at their historical amounts. These consolidated financial statements include the accounts of the Company since the effective date of the recapitalization and the historical accounts of Xalles Limited since inception.

Transactions

- a) On July 16, 2015, the Company issued 19,500,000 shares of common stock pursuant to the Share Exchange Agreement with Xalles Limited, a Delaware corporation, to effect the acquisition and reverse capitalization. See above description.
- b) Effective July 16, 2015, the Company cancelled 19,500,000 shares of common stock held by the former President of the Company.
- c) On August 19, 2015, the Company effected a 3-for-1 forward stock split of its common stock. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the stock split.
- d) As of September 30, 2015, the Company had 15,000 (December 31, 2014 - nil) shares of common stock issuable to a consultant for services to be performed pursuant to an agreement dated August 28, 2015. Those shares were issued on December 30, 2015 as per reference item f) below.
- e) On October 7, 2015, the Company issued 1,000,000 shares of Series A preferred stock to the CEO of the Company and a former director of the Company. The issuance of the Series A preferred stock was made pursuant to the share exchange agreement, and recorded as contributed capital.
- f) On December 30, 2015, the Company issued 15,000 shares of common stock with a fair value of \$15 to a consultant for services performed pursuant to an agreement dated August 28, 2015.
- g) On December 30, 2015, a former director cancelled 500,000 shares of Series A preferred stock, which were reissued to a new director.

- h) On December 30, 2015, the Company issued 500,000 shares of Series A preferred stock to a new director of the Company. The issuance of the Series A Preferred Stock was made pursuant to the share exchange agreement, and recorded as contributed capital.
- i) On December 30, 2015, as valuable consideration, the Company also issued 100,000 shares of common stock to this new director.
- j) On January 4, 2017, in consideration for future consulting services, the Company issued a \$90,000 convertible note which is unsecured, bears interest at 6% per annum and was due on April 4, 2017. The note is convertible into shares of common stock 90 days after the date of issuance (April 4, 2017) at a conversion rate of 60% of the average of the three lowest closing bid prices of the Company's common stock for the twenty trading days ending one trading day prior to the date the conversion notice is sent by the holder to the Company. In no event shall the holder be entitled to convert the note resulting in ownership of more than 9.99% of the outstanding common shares of the Company.
- k) On October 20, 2017, 1,000,000 Shares of Preferred Series B restricted shares to a third party, Jason Barrocas.
- l) As of October 23, 2017, the note of \$60,000 was retired in exchange for issuing 5,000,000 restricted common shares.
- m) As of October 23, 2017, the Company issued 100,000,000 restricted common shares to an officer of the Company in consideration of services performed.

Notes:

1. All classes of common and preferred share authorizations were registered in the state of Nevada.
2. The certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

Item 5. Financial Statements

XALLES HOLDINGS INC.
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2017
(Expressed in US dollars)
(Unaudited)

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

XALLES HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in US dollars)

	As of September 30, 2017 (unaudited)	As of December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ 1,529
Advances (Note 4)	12,410	17,000
Total current assets	12,410	18,529
License (Note 5)	851	900
TOTAL ASSETS	\$ 13,261	\$ 19,429
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	\$ 285	\$ -
Accounts payable	214,223	162,015
Accrued liabilities (Note 6 and 9)	28,453	10,807
Convertible debentures, net (Note 6)	330,000	240,000
Stock-settled debt obligation (Note 6)	220,000	160,000
Loan payable (Note 7)	11,793	11,793
Note payable (Note 9)	84,000	74,000
Due to related parties (Note 8)	150,545	150,175
TOTAL CURRENT LIABILITIES	1,039,299	808,790
STOCKHOLDERS' DEFICIT		
Series B preferred stock, 1,000,000 shares authorized, par value \$0.001; None issued or outstanding		
Preferred stock, 5,000,000 shares authorized, par value \$0.001, 1,000,000 shares issued and outstanding (Note 10)	1,000	1,000
Common stock, 500,000,000 shares authorized, par value \$0.0001, 31,015,000 shares issued and outstanding	3,102	3,102
Additional paid-in capital	(96,587)	(96,587)
Accumulated deficit	(933,553)	(696,876)
TOTAL STOCKHOLDERS' DEFICIT	(1,026,038)	(789,361)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 13,261	\$ 19,429

XALLES HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in US dollars)

(unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
REVENUE				
Total revenue	\$ —	\$ —	\$ —	\$ —
EXPENSES				
Amortization	17	16	49	48
General and administrative	2,640	3,704	10,602	16,404
Consulting fees	-	193,665	143,350	285,262
Consulting fees – related parties (Note 8)	—	—	-	19,230
Professional fees	1,580	2,070	5,030	61,466
Total operating expenses	4,237	199,455	159,031	382,410
Net loss before other expense	(4,237)	(199,455)	(159,031)	(382,410)
Other Expense				
Accretion expense	-	(21,445)	(60,000)	(81,445)
Interest Expense	(6,276)	(3,366)	(17,646)	(6,743)
Net loss	\$ (10,513)	\$ (224,266)	(236,677)	\$ (470,598)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.0003)	\$ (0.0072)	(0.0076)	\$ (0.0152)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	31,015,000	31,015,000	31,015,000	31,015,000

XALLES HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US dollars)

(unaudited)

	Nine Months ended September 30, 2017	Nine Months ended September 30, 2016
OPERATING ACTIVITIES		
Net loss	\$ (236,677)	\$ (470,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of license	49	48
Accretion of convertible debt	60,000	81,445
Stock based compensation	—	—
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	69,854	134,262
Prepaid expense	—	—
Advances	4,590	(9,000)
NET CASH USED IN OPERATING ACTIVITIES	(102,184)	(263,843)
FINANCING ACTIVITIES		
Issuance of convertible notes	90,000	180,000
Proceeds from related parties	370	(69)
Proceeds from former shareholders	-	33,146
Proceeds from note payable	10,000	39,000
Proceeds from loan payable	-	11,793
Bank overdraft	285	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	100,655	263,870
(DECREASE) INCREASE IN CASH	(1,529)	27
CASH, BEGINNING OF PERIOD	1,529	23
CASH, END OF PERIOD	\$ -	\$ 50

NOTE 1 – GENERAL ORGANIZATION AND BUSINESS

Xalles Holdings, Inc. ("the Company") was incorporated in the State of Nevada on December 14, 2009 under the name Stella Blu, Inc. On August 24, 2015, the Company changed its name to Xalles Holdings Inc.

On July 14, 2015, the Company entered into a Share Exchange Agreement (the "Agreement") with Xalles Limited ("Xalles"), a Delaware corporation (incorporated in October 2014), Arrowista Corporation ("ArrowVista"), a Delaware corporation, Xalles Singapore Pte. Ltd. ("Xalles Singapore"), a Singapore corporation, and the shareholders of Xalles, ArrowVista, and Xalles Singapore. Pursuant to the Agreement, Xalles, ArrowVista, and Xalles Singapore will become wholly-owned subsidiaries of the Company in exchange for the issuance of certain shares. Xalles became a wholly-owned subsidiary by the issuance of 19,500,000 shares of common stock on July 16, 2015 (the "First Tranche"). Also refer to Note 3. ArrowVista will become a wholly-owned subsidiary by the issuance of 4,500,000 shares of common stock on or before a date yet to be set since the previous agreement and closing dates have expired. Xalles Singapore will become a wholly-owned subsidiary by the issuance of 2,250,000 shares of common stock on or before a date yet to be set since the previous agreement and closing dates have expired. The consummation of the transactions set forth in the Agreement are subject to certain conditions which have not yet been met. Management is considering its options for all agreements that expired.

On July 1, 2015, prior to the closing of the First Tranche of the Agreement, ArrowVista transferred a note receivable and a license to Xalles in consideration of a note payable in the amount of \$97,211. The amount owed is unsecured, non-interest bearing, and due on demand. Refer to Note 8 (c).

On August 19, 2015, the Company effected a 3-for-1 forward stock split of its common stock. All common share and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the stock split.

During the period ended June 30, 2017, the Company received nil (December 31, 2016 - \$33,416) in financing from the former shareholders of the Company pursuant to the share exchange agreement, which has been recorded as a contribution of capital under additional paid-in capital.

On February 29, 2016, the Company closed an Asset Purchase Agreement dated July 14, 2015 and amended December 2, 2015 (the "Agreement") with Co-Owners Inc. ("Co-Owners"), a Florida corporation, and the shareholders of Co-Owners. Pursuant to the Agreement, the Company agreed to purchase certain assets and assume certain liabilities of Co-Owners and transfer these assets and liabilities to a newly incorporated company, named Co-Owners Rewards Inc. ("Subco"). In consideration, Subco will issue 2,200,000 shares of common stock to the Company and 2,330,000 shares of common stock to certain shareholders of Co-Owners. The closing date has not yet been finalized.

The Company was previously engaged in the patent monetization business. The Company's previous principal operations included the sale, licensing and enforcement of patents. During the end of fiscal 2015, the Company changed business activities and is currently in the business of supporting government and business organizations with payment consulting and system solutions. The Company's objective is to earn revenue by providing its clients a proprietary system for financial reconciliation and auditing of payment transactions.

NOTE 1 – GENERAL ORGANIZATION AND BUSINESS (continued)

Going Concern

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary debt or equity financing to continue operations, and the attainment of profitable operations. There is no guarantee that the Company will be successful in these efforts. As of September 30, 2017, the Company has not commenced its planned operations, has a working capital deficit of \$1,026,889, and has accumulated losses of \$933,553 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These unaudited condensed consolidated financial statements present the balance sheets, and the statements of operations, stockholders' deficit and cash flows of the Company. These unaudited condensed consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States. These unaudited condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements and accompanying notes filed in the Company's Annual Report for the fiscal year ended December 31, 2016, which was filed on November 7, 2017.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Xalles Limited. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of these condensed consolidated 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 results of operations and cash flows for the periods shown are not necessarily indicative of the results to be expected for the full year. The Company regularly evaluates estimates and assumptions related to valuation of license, stock-based compensation, and deferred income tax asset valuation allowances.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance to be cash equivalents. As at September 30, 2017 and December 31, 2016, the Company had no cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

License

The Company acquired a license from a company controlled by the CEO of the Company on July 1, 2015 amounting to \$1,000. The License was capitalized in accordance with ASC 350-30 “Intangibles – Goodwill and Other – General Intangibles Other Than Goodwill.” Amortization commenced on July 1, 2015 when the license was acquired and became ready for its intended use. Amortization is calculated on a straight-line basis over its estimated useful life of 15 years.

A loss is recognized for the excess of the carrying value over the fair value of the asset if the total of the expected undiscounted future cash flows is less than the carrying amount of the asset.

As at September 30, 2017, there have been no indications of impairment on the license.

Loss per Share

The Company computes net loss per share in accordance with ASC 260, “Earnings per Share”, which requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the statements of operations. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its condensed consolidated financial position or results of operations.

NOTE 3 – ACQUISITION OF XALLES LIMITED

Per the agreement dated July 14, 2015 for the acquisition of Xalles Limited, the former shareholders of the Company agreed to fund \$300,000 to support the current operations and continued development of the business according to the following schedule:

- a) \$50,000 to be paid within 60 days after the Corporate Action Approval Date
- b) \$100,000 to be paid 90 days after the Corporate Action Approval Date
- c) \$100,000 to be paid 120 days after the Corporate Action Approval Date
- d) \$150,000 to be paid 150 days after the Corporate Action Approval Date

Per the agreement, a late payment fee of \$1,000 for each business day is due to the Company if any of the payments are late. During the interim period ended September 30, 2017, the Company has received nil (December 31, 2016 - \$33,146) under the terms of the agreement. The remaining payments are delinquent and the Company is not recognizing the late payment penalty, as collection is doubtful.

NOTE 4 – ADVANCES

As at September 30, 2017, the Company advanced \$12,410 (December 31, 2016 - \$17,000 to unrelated parties. These amounts are unsecured, non-interest bearing and due on demand.

NOTE 5 – LICENSE

On July 1, 2015, the Company acquired a license from a company controlled by our CEO. The license was recorded at the historical cost incurred by the related party and amortized over its estimated useful life of 15 years. The following represents the carrying value of the license at September 30, 2017:

License	\$	1,000
Accumulated amortization		149
Carrying value as at September 30, 2017	\$	851

NOTE 6 – CONVERTIBLE DEBENTURES

- a) On August 28, 2015, in consideration for future consulting services, the Company issued a \$60,000 convertible note which is unsecured, bears interest at 2% per annum and was due on November 28, 2015. The note is convertible into shares of common stock 90 days after the date of issuance (November 26, 2015) at a conversion rate of 60% of the average of the three lowest closing bid prices of the Company's common stock for the twenty trading days ending one trading day prior to the date the conversion notice is sent by the holder to the Company. If, at the time of conversion, the lowest trading prices during the applicable 20 trading day period is equal to or less than \$0.0001, then the conversion price shall equal the lesser of the (1) variable conversion price or (2) \$0.00001. In no event shall the holder be entitled to convert the note resulting in ownership of more than 9.99% of the outstanding common shares of the Company.

In accordance with ASC 470-20, "Debt with Conversion and Other Options", the Company recognized the intrinsic value of the conversion feature of \$40,000 as a stock settled debt obligation and an equivalent discount which will be charged to operations over the term of the convertible debentures from the effective date to the first convertible date. As of September 30, 2017 and December 31, 2017, the carrying value of the debenture was \$60,000. As of September 30, 2017, the Company continues to accrue interest at the interest rate of 2%. As of September 30, 2017, accrued interest was \$2,511 (December 31, 2016- \$1,614) and has been recorded in accrued liabilities. As of October 23, 2017, the note was converted into 5,000,000 restricted shares.

- b) On January 4, 2016, in consideration for future consulting services, the Company issued a \$90,000 convertible note which is unsecured, bears interest at 6% per annum and was due on April 4, 2016. The note is convertible into shares of common stock 90 days after the date of issuance (April 3, 2016) at a conversion rate of 60% of the average of the three lowest closing bid prices of the Company's common stock for the twenty trading days ending one trading day prior to the date the conversion notice is sent by the holder to the Company. In no event shall the holder be entitled to convert the note resulting in ownership of more than 9.99% of the outstanding common shares of the Company.

NOTE 6 – CONVERTIBLE DEBENTURES (continued)

In accordance with ASC 470-20, "Debt with Conversion and Other Options", the Company recognized the intrinsic value of the conversion feature of \$60,000 as a stock settled debt obligation and an equivalent discount which will be charged to operations over the term of the convertible debentures from the effective date to the first convertible date. As of September 30, 2017, the carrying value of the debenture was \$90,000 (December 31, 2016 - \$90,000). The management is in the process of extending the terms of this note. As of September 30, 2017, the Company continues to accrue interest at the interest rate of 6%. As of September 30, 2017, accrued interest was \$9,394 (2016 - \$5,355) and has been recorded in accrued liabilities.

- c) On July 4, 2016, in consideration for future consulting services, the Company issued a \$90,000 convertible note which is unsecured, bears interest at 6% per annum and was due on October 4, 2016. The note is convertible into shares of common stock 90 days after the date of issuance (July 4, 2016) at a conversion rate of 60% of the average of the three lowest closing bid prices of the Company's common stock for the twenty trading days ending one trading day prior to the date the conversion notice is sent by the holder to the Company. In no event shall the holder be entitled to convert the note resulting in ownership of more than 9.99% of the outstanding common shares of the Company.

In accordance with ASC 470-20, "Debt with Conversion and Other Options", the Company recognized the intrinsic value of the conversion feature of \$60,000 as a stock settled debt obligation and an equivalent discount which will be charged to operations over the term of the convertible debentures from the effective date to the first convertible date. As of September 30, 2017, the carrying value of the debenture was \$90,000 (December 31, 2016 - \$90,000). The management is in the process of extending the terms of this note. As of September 30, 2017, the Company continues to accrue interest at the interest rate of 6%. As of September 30, 2017, accrued interest was \$6,701 (December 31, 2016 - \$2,663) and has been recorded in accrued liabilities.

- d) On January 4, 2017, in consideration for future consulting services, the Company issued a \$90,000 convertible note which is unsecured, bears interest at 6% per annum and was due on April 4, 2017. The note is convertible into shares of common stock 90 days after the date of issuance (April 4, 2017) at a conversion rate of 60% of the average of the three lowest closing bid prices of the Company's common stock for the twenty trading days ending one trading day prior to the date the conversion notice is sent by the holder to the Company. In no event shall the holder be entitled to convert the note resulting in ownership of more than 9.99% of the outstanding common shares of the Company.

In accordance with ASC 470-20, "Debt with Conversion and Other Options", the Company recognized the intrinsic value of the conversion feature of \$60,000 as a stock settled debt obligation and an equivalent discount which will be charged to operations over the term of the convertible debentures from the effective date to the first convertible date. As of September 30, 2017, the carrying value of the debenture was \$90,000 (December 31, 2016 - \$nil). The management is in the process of extending the terms of this note. As of September 30, 2017, the Company continues to accrue interest at the interest rate of 6%. As of September 30, 2017, accrued interest was \$3,980 (December 31, 2016 - \$nil) and has been recorded in accrued liabilities.

NOTE 7 – LOAN PAYABLE

As at September 30, 2017, the Company owed \$11,793 (December 31, 2016 - \$11,793) to a non-related party. The amount is unsecured, non-interest bearing, and due on demand.

NOTE 8 – RELATED PARTY TRANSACTIONS

- a) As of September 30, 2017, the Company owed \$52,230 (December 31, 2016 - \$52,230) to a former director of the Company. The amounts are unsecured, non-interest bearing and are due on demand.
- b) As of September 30, 2017, the Company owed \$97,945 (December 31, 2016 - \$97,945) to a company controlled by the CEO of the Company. The amount is unsecured, non-interest bearing and is due on demand.

NOTE 9 - NOTES PAYABLE

- a) On April 18, 2016, the Company issued a promissory note for \$20,000. The amount owing is unsecured, non-interest bearing, and due 90 days from the date of receipt. The loan commenced to bear interest at 10% per annum beginning July 19, 2016. As at September 30, 2017, the company accrued \$2,400 (December 31, 2016 - \$904) in interest included in accrued liabilities.
- b) On May 11, 2016, the Company issued a promissory note for \$10,000. The amount owing is unsecured, non-interest bearing, and is due on November 11, 2016. If the unpaid principal is not paid in full by the due date. Interest shall accrue on the unpaid balance at 10% per annum. As at September 30, 2017, the company accrued \$885 (December 31, 2016 - \$137) in interest included in accrued liabilities.
- c) On July 21, 2016, the Company issued a promissory note for \$1,000. The amount owing is unsecured, non-interest bearing, and is due on January 21, 2017. If the unpaid principal is not paid in full by the due date. Interest shall accrue on the unpaid balance at 10% per annum. As at September 30, 2017, the company accrued \$69 (December 31, 2016 - \$nil) in interest included in accrued liabilities.
- d) On August 29, 2016, the Company issued a promissory note for \$8,000. The amount owing is unsecured, non-interest bearing, and due 90 days from the date of receipt. The loan will commence to bear interest at 10% per annum beginning on the 91st day following the receipt of the principal. As at September 30, 2017, the company accrued \$666 (December 31, 2016 - \$68) in interest included in accrued liabilities.
- e) On October 21, 2016, the Company issued a promissory note for \$30,000. The amount owing is unsecured, non-interest bearing and due six months from the issuance date. The principal balance of this note, together with accrued and unpaid interest shall be paid in one instalment. If the unpaid principal is not paid in full by the due date, interest shall accrue on the unpaid balance at 10% per annum. As at September 30, 2017, the company accrued \$1,332 (December 31, 2016 - \$nil) in interest included in accrued liabilities.
- f) On October 21, 2016, the Company issued a promissory note for \$5,000. The amount owing is unsecured, bears interest at 12% beginning on the first day following the receipt of the principal

amount. The outstanding principal balance of this note shall be due and payable 30 days from the date of receipt. As at September 30, 2017, the company accrued \$515 (December 31, 2016 - \$66) in interest included in accrued liabilities.

- g) On February 1, 2017, the Company issued a promissory note for \$10,000. The amount owing is unsecured, non-interest bearing, and due one year from the date of receipt. The loan will commence to bear interest at 10% per annum beginning on the 365st day following the receipt of the principal.

NOTE 10 – STOCKHOLDERS' EQUITY

Common Stock

The Company is authorized to issue 500,000,000 shares of \$0.0001 par value common stock and 5,000,000 shares of preferred stock, par value \$0.001. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

Preferred Stock

On August 3, 2015, the Company filed a Certificate of Designation of Series A Preferred Stock (the "Certificate of Designation") with the Nevada Secretary of State designating 1,000,000 of the Company's previously authorized preferred stock. The holders of the Series A Preferred Stock are granted 51% voting power on all matters to be voted on by the holders of the Company's common stock and is not convertible into any shares of the Company's common stock. With respect to rights on liquidation, dissolution or winding up, shares of Series A Preferred Stock rank on a parity with the Company's common stock.

Effective as of September 1, 2017, the Company amended its Articles of Incorporation to include the designation of 1,000,000 shares of Series B Preferred Stock, par value \$0.001. Holder of the Series B Preferred Stock are not entitled to receive dividends, non-convertible, no preference with respect to liquidation and voting rights equal to twenty-five percent of the total vote. As at September 30, 2017, there are no issued Series B Preferred Stock.

NOTE 11 – CONFLICTS OF INTEREST

The officer and director of the Company is involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such person may face a conflict in selecting between the Company and his other business interests. The Company has not formulated a policy for the resolution of such conflicts.

NOTE 12 – SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 7, 2017, the date the financial statements were issued, pursuant to the requirements of ASC 855 and has determined the following material subsequent events:

- a) On September 1, 2017, the Company amended its Articles of Incorporation to include the designation of 1,000,000 shares of Series B Preferred Stock, par value \$0.001. Holders of the Series B Preferred Stock are not entitled to receive dividends, non-convertible, no preference with respect to liquidation and voting rights equal to twenty-five percent of the total vote. On October 20, 2017 the Company issued 1,000,000 Series B Preferred shares to a third party in consideration of services performed.
- a) As of October 23, 2017, the note of \$60,000 as mentioned in Note 5 was retired in exchange for the issuance of 5,000,000 restricted common shares to the note holder.
- b) As of October 23, 2017, the Company issued 100,000,000 restricted common shares to an officer of the Company in consideration of services performed.

Item 6. Describe the Issuer's Business, Products and Services

A. Description of the issuer's business operations

We are building a business development company specialized in the payment industry and financial technology ("Fintech").

Xalles supports government and business organizations with payment consulting and system solutions. Xalles supports its own investee companies with the same strategic services plus direct investment and marketing and communications services.

Xalles has created a financial, technological and resource backbone to support the investee companies and external client projects. This backbone consists of senior payment solutions consultants and a proprietary system for the financial reconciliation and auditing of business and government payment transactions. Xalles also has a license to a patented payment card security solution.

We will continue to look for transactions that will add value and create synergy with our existing service offerings. We will continue fundraising efforts in 2017 and develop target projects that will attract a larger number of investors. The synergy involves new sources of revenue and market penetration into new market segments such as eProcurement and B2B payment systems.

We will continue to seek acquisitions for our target business areas within Fintech. Specific areas of interest are government and business payment solutions, including Blockchain-based financial reconciliation solutions and services.

We plan to expand our strategic partnerships beyond our existing business development and audit service relationships.

B. Date and State (or Jurisdiction) of Incorporation

The Company was incorporated on December 14, 2009 in the state of Nevada as Stella Blu, Inc., and renamed to Xalles Holdings Inc. on August 21, 2015.

C. The issuer's primary and secondary SIC Codes

The Company operates under the primary SIC Code of 6794.

D. The issuer's fiscal year end date

The fiscal year end is December 31.

E. Principal products or services, and their markets

Xalles offers consulting services in the payment and financial reconciliation solution marketplace. Xalles is also developing solutions to be applied to complex business and government financial transactions and payments.

Below are some of the relevant marketplaces we intend to compete in and their market sizing data.

Electronic Payments Market

The estimated number of noncash payments, excluding wire transfers, was 122.8 billion in 2012, with a value of \$79.0 trillion. The number of noncash payments in the United States increased at a compound annual rate of 4.4 percent from 2009.

B2B eProcurement and eCommerce Market

According to recent research from Frost & Sullivan, Alibaba is a pioneer of B2B eCommerce with gross merchandise value of \$27.28 billion, about 11 percent of their total; this dominant leadership position in a market expected to grow to \$6.7 trillion in gross merchandise value by 2020. This trend will make the B2B eCommerce market two times bigger than the B2C market (\$3.2 trillion) within that timeframe.

Item 7. Describe Describe the Issuer's Facilities

The company is currently seeking office space for the corporate operations. Currently the mailing address is 2020 Pennsylvania Ave. NW, #527, Washington DC 20006.

Item 8. Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons

Our bylaws allow the number of directors to be fixed by the Board of Directors. Our Board of Directors has fixed the number of directors at two.

Our current directors and officers are as follows:

Name	Age	Position
Thomas W. Nash	51	Director, President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer
Mati Baumel	56	Director

The directors will serve as directors until our next shareholder meeting or until a successor is elected who accepts the position. Officers hold their positions at the will of the Board of Directors. There are no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders may directly or indirectly participate in or influence the management of our affairs.

Thomas W. Nash, President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer and Director

Thomas W. Nash has expertise is in the Financial Supply Chain and payment services. Mr. Nash has provided strategic business advice to more than 200 firms worldwide from small firms to large organizations such as U.S. Bank, MasterCard, and Citibank. He also led the implementation of financial systems deployment within the U.S. Government's Department of Defense and Department of Homeland Security. Mr. Nash has also advised the Governments of Brazil, China, Hungary, Romania, and others. Mr. Nash has helped launch successful startup ventures in the payment, eCommerce and IT fields.

From October 2014 to present, Mr. Nash has been a Director and Officer of Xalles Limited, a private company. From December 2012 to Present, Mr. Nash has been a Director of Genuine Metrics, Inc., a private company. From February 2008 to present, Mr. Nash has been a Director and Officer of Xalles Singapore Pte. Ltd., a private company. From June 2007 to Present, Mr. Nash has been a Director and Officer of Co-Owners Inc., a private company. From August 2015 to Present, Mr. Nash has been a Director and Officer of Co-Owners Rewards Inc., a private company. From March 2003 to Present, Mr. Nash has been a Director and Officer of ArrowVista Corporation, a private company. From July 2002 to Present, Mr. Nash has been a Director and Officer of Xalles Limited (Ireland), a private company. From September 1996 to Present, Mr. Nash has been a Director and Officer of Triumph Implementation Consulting Corporation, a private company

Mr. Nash does not currently serve on the boards of other public companies.

Thomas Nash owns 87.86% of the common shares.

Mati Baumel, Director

Mr. Baumel is a Mathematician and Software Developer, Industrial Management Engineer who developed the Polymath NHE platform with a mission of leveraging Artificial Intelligence to innovate and improve the accuracy and efficiency of diagnoses in global healthcare.

In 2003, Mr. Baumel launched T&R International B.V in Amsterdam Netherlands, a programming and development firm focused on Video Motion Detection, Artificial Intelligence technologies and RFID tags and cards. Some of its projects include: Security systems in London airports, Copenhagen, Glasgow and many others. His technical consulting work continued with projects including Medical Performance under War platform for countries and for the World Health Organization on epidemic reaction on, “No Time to Lose” project. From 2003 to Present Mr. Baumel is the Inventor and Founder at T&R International B.V – Holland, a private company. From 2012 to Present, Mr. Baumel is the Inventor and Founder at New Health Era S.A- Switzerland, a private company.

Mr. Baumel does not currently serve on the boards of other public companies.

Mati Baumel owns 50% of the Series A Preferred Shares.

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.

Mati Baumel owns 50% of the Series A Preferred Shares as of November 7, 2017
400 Northridge Road
Atlanta GA 30350

Thomas Nash owns 87.86% of the common shares as of November 7, 2017
5260 14 Sideroad
Milton, Ontario L9E 0P7

Item 9. Third Party Providers

Legal Counsel

Name: Faiyaz Dean
Firm: Dean Law Corp.
Address: 601 Union St., Suite 4200, Seattle, WA 98101
Telephone: 206-274-4598
Email: fdean@deanlawcorp.com
Website: <http://www.deanlawcorp.com>

Accountant or Auditor

Name: Sohail Raza
Firm: SRCO Professional Corporation, Chartered Accountant
Address: 15 Wertheim Court, Suite 409, Richmond Hill, ON L4B 3H7
Telephone: 905-882-9500
Email: Sohail.raza@srco.ca
Website: <http://www.srco.ca/>

Investor Relations Consultant

Name: Teresa Misenheimer
Firm: I-Business Management, LLC
Principal Address: 4223 Autumn Palm Drive Zephyrhills FL 33542
Telephone : 813-500-7332
Email: teresa@i-businessmanagementllc.com
Website: www.i-businessmanagementllc.com

Item 10. Issuer Certification

I, Thomas W. Nash certify that:

1. I have reviewed this Quarterly Report of Xalles Holdings 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.

Dated: November 7, 2017

/s/Thomas W. Nash

Thomas W. Nash
CEO, CFO and Director