

HYPERBARIC OXYGENATION CORPORATION

CONSOLIDATED BALANCE SHEET

As At September 30 (revised December 4th) see note 3

2004

2003

(Expressed in U.S. dollars)

ASSETS

Current

| | | | | |
|------------------------|-----------|------------------|-----------|------------------|
| Bank | \$ | 3,390 | \$ | 12,327 |
| Accounts Receivable | | 32,932 | | 27,784 |
| Sales taxes receivable | | (14,301) | | (6,293) |
| Loan | | | | |
| Inventory | | 9,391 | | 19,641 |
| Deposits | | 1,103 | | 2,321 |
| Prepaid Expenses | | 500 | | 500 |
| | | <u>33,015</u> | | <u>56,271</u> |
| Investments | | 1,000,000 | | 1,000,000 |
| Capital | | | | <u>287,149</u> |
| TOTAL ASSETS | \$ | 1,033,015 | \$ | 1,343,420 |

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities

| | | | | |
|------------------------|----|----------------|----|----------------|
| Bank Overdraft | \$ | | \$ | |
| Accounts payable | | 22,450 | | 536,594 |
| Deferred Revenue | | | | 417 |
| Due to Related Parties | | 148,108 | | 148,108 |
| | | <u>171,558</u> | | <u>685,119</u> |

Stockholder's Equity

| | | | | |
|--|-----------|--------------------|-----------|--------------------|
| Common stock | | | | |
| 1,000,000,000 Common shares with a par value of \$.001 each | | | | |
| 26,457,001 issued and outstanding (24,988,316 shares in 2002) | | 26,457 | | 26,457 |
| Additional paid in capital | | <u>3,808,727</u> | | <u>3,808,727</u> |
| Accumulated Deficit | | <u>(2,973,727)</u> | | <u>(3,176,883)</u> |
| | | <u>835,000</u> | | <u>658,301</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | \$ | 1,033,015 | \$ | 1,343,420 |

HYPERBARIC OXYGENATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

As At September 30 (revised December 4th) see note 3

2004

2003

(Expressed in U.S. dollars)

| | | |
|---|-------------------------|--------------------------|
| Sales | \$ 448,309 | \$ 1,020,829 |
| Cost of Goods Sold | <u>66,217</u> | <u>437,554</u> |
| Gross Profit (loss) | <u>382,092</u> | <u>583,275</u> |
| Selling Expenses | <u>\$ 9,204</u> | <u>\$ 24,961</u> |
| Administrative Expenses | | |
| Advertising & Promotion | 17,408 | 39,166 |
| Amortization | 43,561 | 44,901 |
| Automobile | 6,623 | 5,180 |
| Bad Debts | 83,819 | 66,741 |
| Bank Charges and Interest | 6,447 | 10,318 |
| Insurance & Permits | 1,119 | 1,043 |
| Management fees | 26,886 | 30,875 |
| Office & sundry | 16,909 | 21,666 |
| Professional Fees | 10,216 | 14,083 |
| Regulatory Fees | 1,986 | 3,101 |
| Rent & Utilities | 72,308 | 67,426 |
| Repairs & maintenance | 18,204 | 12,198 |
| Start up costs | 4,490 | 6,649 |
| Supplies | 9,321 | 11,021 |
| Telephone | 7,740 | 17,212 |
| Travel and Accommodation | 966 | 2,641 |
| Translation loss | 744 | 937 |
| Total Expenses (Selling & Administration) | <u>339,832</u> | <u>380,119</u> |
| Net Profit (Loss) | <u>\$ 42,260</u> | <u>\$ 203,156</u> |
| Accumulated Deficit, Beginning of Year | 3,176,883 | 3,380,039 |
| Accumulated Deficit, End of Year | 2,973,727 | 3,176,883 |
| Net Loss Per Common Share | 0.12 | 0.08 |
| Weighted Average Number of Common Shares Outstanding | 26,457,001 | 26,457,001 |

HYPERBARIC OXYGENATION CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004 (revised December 4th, 2004) see note 3

1. Organization

Hyperbaric Oxygenation Corporation (the "Company") was incorporated on November 17, 1997 pursuant to the laws of the State of Nevada. The Company's principal business is the selling of hyperbaric oxygenation and other treatments and health products through its own health centers. During the year, the Company operated health care facilities in Coquitlam and Victoria, British Columbia Canada,

The treatment the Company provides is a proprietary protocol system based on worldwide research and clinical experience in the field of science-based natural medicine, clinical nutrition, biochemistry and functional medicine. Functional medicine is a science-based healthcare approach that assesses and treats the underlying causes of illness through individually tailored therapies to restore and improve function of the human body.

2. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with United States Generally Accepted Accounting Principles ("GAAP") and United States Generally Accepted Accounting Standards ("GAAS"). The "going concern" basis of Presentation assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of this basis because of the continuing operating losses and reliance upon financing arrangements for cash flow. Accordingly, realization of assets and discharge of liabilities are subject to significant uncertainty.

These financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern.

3. Summary of Significant Accounting Policies.

Basis of Consolidation

These financial statements include the accounts of the Company and the following wholly owned subsidiaries: HOC Centre for Progressive Medicine Victoria Inc., HOC Centres for Progressive Medicine Inc., HOC Progressive Medical Products Inc., HOC Hyperbaric Care Centre Inc. (assigned into bankruptcy 4th December 2004)

On review of the operational state of the hyperbaric chamber belonging to the wholly-owned subsidiary HOC Hyperbaric Care Centre Inc, in Coquitlam, BC, it was determined that it was cost prohibitive to upgrade and re-certify this chamber system. The subsidiary was closed and assigned into bankruptcy in December 2004 to ensure that any contingent liabilities associated with that activity site would cease including but not limited to the lease obligation for that location.

Any significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

Inventories

Inventories are carried at the lower of cost, determined on first in first out basis and net replacement value.

Capital assets

Capital assets are recorded initially at cost. Amortization (depreciation) on tangible assets is provided on a declining basis at the rates noted below. One-half of these rates is used in the year of acquisition.

| | |
|----------------------------|-----|
| i) Office equipment | 20% |
| ii) Leasehold improvements | 20% |
| iii) Audio tapes | 20% |
| iv) Hyperbaric chamber | 20% |

| | |
|-------------------------|------|
| v) General equipment | 20% |
| vi) Vehicles | 30% |
| vii) Computers | 30% |
| viii) Computer software | 100% |

Intangible assets consist of protocols and customer relationship data, and are amortized on a straight-line basis as follows:- protocols – 5 years and customer relationship data – 10 years. Protocol costs represent the cost incurred in developing the proprietary database in the delivery of care and therapy services to patients. The database contains the results of over 100,000 original scientific studies and peer reviewed research articles drawn from over 1,000,000 abstracts related to science-based natural medicine.

Fair value of Instruments and foreign exchange.

The fair value of the Company's current assets and current liabilities were estimated to approximate their carrying value due to the immediate or short term maturity of these financial instruments. The Company operates centers in Canada, giving rise to risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Since inception, the Canadian foreign exchange rate has not been subject to significant fluctuations.

Foreign Currency Translation

The assets and liabilities of the Company's Canadian operations which are accounted for as self-sustaining operations, have been translated into United States dollars at the rates of exchange as at the balance sheet dates, and revenues and expenses are translated at the average rates of exchange for the period of operation. The net gain or losses arising from the translations are recorded in the income statement.

Use of Estimates

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

Revenue Recognition

Revenue is recognized at the time services are provided. All related costs are recognized in the period in which they occur.

Income taxes

The Company has just recently emerged from the development stage and has yet to become profitable. Accordingly, no income tax is expensed on the financial statements.

4. Recent accounting pronouncements

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 141, Business Combinations, and SFAS 142, Goodwill and Intangible Assets. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates of the company are as follows:

- All business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001.
- Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal right or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either, individually or as part of a related contract, asset or liability.

- Goodwill, as well as intangible assets with indefinite lives, acquired after June 30, 2001, will not be amortized. Effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives will no longer be subject to amortization.
- Effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.
- All acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

The implementation of the provisions of these Statements will not have a material impact on the Company's financial position or results of operations.

5. Accounts payable consist of the following as at September 30, 2004 and 2003 –

| | 2004 | 2003 |
|------------------------------------|--------|---------|
| Trade payables and accrued charges | 22,450 | 536,594 |
| Total | 22,450 | 536,594 |

6. Litigation

One legal action has been brought against the Company. The liability is \$55,000

7. Leases

The Company does not own real property. As at September 30, 2004 it leased space in Coquitlam, B.C. (lease terminated December 4th, 2004) and Victoria, B.C.(All references below are in \$US, converted at \$1US - \$1.29CDN.)

The Victoria lease is a 60 month lease commencing July 2003. The base yearly rent for the whole period is \$ 4,000.

The Company is obligated to make the following minimum lease payments subsequent to September 30, 2003:

| Year ended September 30 | Amount |
|----------------------------|-----------|
| _____ | _____ |
| 2004 | \$46,000. |
| 2005 | \$46,000. |
| 2006 | \$46,000. |

12.Related Party Transactions

During the period no consulting fees were paid to directors or companies owned by directors.
(None paid in the last fiscal year.)