

**Immunall Science Inc.  
Financial Statements  
For The Years Ended  
December 31, 2013 and 2012**

## Independent Auditors' Report

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To the Shareholders  
Immunall Science Inc.

We have audited the accompanying financial statements of Immunall Science Inc., which comprise the statements of financial position as at December 31, 2013 and December 31, 2012, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years ended December 31, 2013 and December 31, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Immunall Science Inc. as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

We draw attention to note 2(a) to the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.

*Collins Barrow Calgary LLP*

CHARTERED ACCOUNTANTS

Calgary, Canada  
April 25, 2014

# Immunal Science Inc.

(Incorporated under the laws of Alberta)

## Statements of Financial Position

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	December 31, 2013	December 31, 2012
<b>Assets</b>		
Current assets		
Cash	\$ 5,849	\$ 34,490
Accounts receivable (note 4)	-	475
Goods and Services Tax recoverable	1,238	2,527
Inventory (note 3(a))	44,754	44,754
Prepaid expenses	<u>396</u>	<u>396</u>
	52,237	82,642
Equipment (note 5)	<u>568</u>	<u>823</u>
	<u>\$ 52,805</u>	<u>\$ 83,465</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (notes 6 and 8)	\$ <u>57,763</u>	\$ <u>54,408</u>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (note 7)	747,769	945,248
Contributed surplus	422,248	224,769
Deficit	<u>(1,174,975)</u>	<u>(1,140,960)</u>
	<u>(4,958)</u>	<u>29,057</u>
	<u>\$ 52,805</u>	<u>\$ 83,465</u>
Going concern (note 2(a))		
Commitment (note 10)		

See accompanying notes.

Approved by the Board,

M. Frank Phillet, Director

Craig McLennan, Director

**Immunnall Science Inc.**  
**Statements of Loss and Comprehensive Loss**  
**Years Ended December 31**

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	2013	2012
Expenses		
Advertising and promotion	\$ 402	\$ 7,560
Bank charges	193	159
Office	1,520	994
Product testing and storage	-	686
Professional fees	16,647	12,116
Regulatory	14,998	27,181
Amortization	<u>255</u>	<u>255</u>
Net loss and comprehensive loss	<u>\$ (34,015)</u>	<u>\$ (48,951)</u>
Basic and diluted loss per share (note 7(e))	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>

See accompanying notes.

**Immuna Science Inc.**  
**Statements of Changes in Shareholders' Equity (Deficiency)**

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	<b>Number of common shares</b>	<b>Common shares at stated value</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total equity (deficiency)</b>
Balance at December 31, 2011	42,265,842	\$ 945,248	\$ 224,769	\$ (1,092,009)	\$ 78,008
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,951)</u>	<u>(48,951)</u>
Balance at December 31, 2012	42,265,842	945,248	224,769	(1,140,960)	29,057
Shares cancelled (note 7(c))	(8,830,080)	(197,479)	197,479	-	-
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,015)</u>	<u>(34,015)</u>
Balance at December 31, 2013	<u><u>33,435,762</u></u>	<u><u>\$ 747,769</u></u>	<u><u>\$ 422,248</u></u>	<u><u>\$ (1,174,975)</u></u>	<u><u>\$ (4,958)</u></u>

See accompanying notes.

**ImmunaI Science Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31**

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	2013	2012
Operating activities		
Net loss	\$ (34,015)	\$ (48,951)
Item not affecting cash		
Amortization	<u>255</u>	<u>255</u>
	<u>(33,760)</u>	<u>(48,696)</u>
Changes in non-cash working capital		
Accounts receivable	475	73,909
Good and Services Tax recoverable/payable	1,289	(4,948)
Accounts payable and accrued liabilities	<u>3,355</u>	<u>(5,337)</u>
	<u>5,119</u>	<u>63,624</u>
Cash inflow (outflow)	(28,641)	14,928
Cash, beginning of year	<u>34,490</u>	<u>19,562</u>
Cash, end of year	<u>\$ 5,849</u>	<u>\$ 34,490</u>

See accompanying notes.

**Immunall Science Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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1. Nature of operations

Immunall Science Inc. (the "Company") was incorporated under the *Business Corporations Act* (Alberta) on November 22, 2005. The Company is a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American Ginseng.

The address and principal place of business of the Company is 10979 - 127<sup>th</sup> Street, Edmonton, Alberta, Canada, T5M 0T1.

2. Basis of presentation

(a) Going concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company is in the development stage and there is a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. As of December 31, 2013, the Company has earned limited revenues from operations and has a deficit of \$1,174,975 (2012 - \$1,140,960). Accounts payable includes \$45,412 owing to directors that will not be repaid until sufficient cash flow is available. Management is currently investigating a range of strategic options available with a view to generating income sufficient to pay its liabilities and ongoing operating expenses, and maximizing shareholder value. The Company may be required to sell assets, obtain additional debt or equity financing or curtail spending in the future to fund operations and settle obligations.

These statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate for these financial statements, then adjustments, which could be material, would be necessary to the carrying values of assets and liabilities and the reported expenses and the balance sheet classifications used.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for the year ended December 31, 2013.

The financial statements were authorized for issue by the Board of Directors ("the Board") on April 25, 2014.



**Immunall Science Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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(c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for held-for-trading financial assets that are measured at fair value with changes in fair value recorded in earnings. See note 11(b) for the methods used to measure fair values.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

Valuation of inventory

The valuation of inventory is based on management's best estimate of the net realizable value of slow moving or obsolete inventory. Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in cost of sales in the period in which the reversal occurred.

Deferred income tax

Deferred income tax is based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of the valuation allowance. The valuation allowance is based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

**Immunnal Science Inc.**  
**Notes to Financial Statements**  
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3. Significant accounting policies

(a) Inventory

Inventory consists of raw materials and processed product and is valued at the lower of cost and net realizable value, cost being determined on a specific identification basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. When the applicable cost of the inventories exceeds the net realizable value, inventory is written down to the net realizable value. Write-downs are subsequently reversed up to the original cost if the net realizable value exceeds the carrying amount.

The amount of inventory recognized as an expense during the year ended December 31, 2013 was \$NIL (2012 - \$NIL). No inventory writedowns were recorded during the years ended December 31, 2013 and 2012.

(b) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

Amortization of equipment is provided using the straight-line method at the following rates approximating their estimated useful lives:

Furniture	10 years
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(c) Impairment

The carrying value of long-term assets is reviewed annually for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net income.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the asset or cash generating unit in its present form.

**Immunoall Science Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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Reversals of impairments are recognized when there are indicators that an impairment loss recognized in prior periods may no longer exist, or may have decreased. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The revised recoverable amount is limited to the original carrying amount less amortization as if no impairment had been recognized for the asset or cash-generating unit for prior periods.

(d) Revenue recognition

The Company recognizes revenue when the product is shipped and there is reasonable assurance of collection.

(e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Finance income and costs

Finance income, consisting of interest income, is recognized as it accrues in the statement of loss, using the effective interest method.

Finance expenses are comprised of interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

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Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes a substantial period of time to get ready for use or sale.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognized in the statement of loss in the period in which they are incurred using the effective interest method.

(g) Stock-based compensation

The Company has a stock based compensation plan, which is described in note 7(d). The fair value of the stock options is measured at the grant date and recognized as share-based compensation expense, with a corresponding increase in contributed surplus over the vesting period. The fair value of the stock is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the stock options were granted. The Company measures stock-based compensation to non-employees at the fair value of the goods or services received. If the fair value of the goods or services cannot be measured reliably, the value of the options is used, measured using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of stock options that will ultimately vest. When stock options are exercised, the amount previously recorded as share-based compensation is recorded as share capital.

(h) Provisions and contingent liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

(i) Financial instruments

(i) *Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through the statement of income", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as defined by IAS 39,

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*"Financial Instruments: Recognition and Measurement"*.

Financial assets and financial liabilities at "fair value through the statement of income" are either classified as "held for trading" or "designated at fair value through the statement of income" and are measured at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed when incurred. The Company has designated cash as "held for trading".

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through the statement of income" and that are not derivatives. The Company does not have any financial assets designated as "loans and receivables" or "held to maturity".

Accounts payable and accrued liabilities are classified as "financial liabilities measured at amortized cost".

Financial assets classified as "available-for-sale" are measured at fair value, with changes in fair value recognized in other comprehensive income. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company has no available-for-sale financial assets.

(ii) *Derivative financial instruments*

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks. The Company's policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as "fair value through the statement of income". The Company has not entered into any financial derivative contracts.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of income. Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement. The Company has not identified any embedded derivatives.

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(iii) *Equity instruments*

The Company's common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(iv) *Impairment*

The Company assesses at each statement of financial position date whether there is objective evidence that financial assets, other than those designated as "fair value through the statement of income" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of loss in the period. Impairment losses may be reversed in subsequent periods.

(j) Net loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that would occur if in-the-money stock options were exercised. The Company uses the treasury stock method for outstanding stock options which assumes that all outstanding stock options with exercise prices below average market prices are exercised and assumed proceeds plus the unamortized portion of stock-based compensation are used to purchase the Company's common shares at the average market price during the period.

(k) Recent accounting pronouncements

On January 1, 2013, the Company adopted the following new standards and amendments which became effective for annual periods on or after January 1, 2013:

- IFRS 7, "*Financial Instruments*" provides additional information about offsetting of financial assets and liabilities. Additional disclosures are required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The adoption of this standard had no impact on the Company's financial statements.
- IFRS 10, "*Consolidated Financial Statements*" - IFRS 10 introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns, from its involvement with the investee and ability to use its power to effect returns. The adoption of this standard had no impact on the Company's financial statements.

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- IFRS 11, "*Joint Arrangements*" - IFRS 11 requires a Company to classify its interest in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, and contractual terms of the arrangements and other factors and circumstances. The adoption of this standard had no impact on the Company's financial statements.
- IFRS 12, "*Disclosure of Interests in Other Entities*", combines the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The adoption of this standard had no impact on the Company's financial statements.
- IFRS 13, "*Fair Value Measurement*" - IFRS 13 established a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7. As a result, the Company has included additional disclosures in this regard. Notwithstanding, the changes to IFRS 13 had no significant impact on the measurement of the Company's assets and liabilities.

*Future accounting pronouncements*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

For annual periods beginning on or after January 1, 2014, the Company will be required to adopt each of these standards:

- IAS 36, "*Impairment of Assets*" (Amended) which modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment apply retrospectively for annual periods beginning on or after January 1, 2014. The Company plans to adopt the amendments in its financial statements for the annual period beginning on January 1, 2014. The adoption of this standard will impact the Company disclosures in the notes to the financial statements in periods where an impairment loss or impairment reversal is recorded.

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**Notes to Financial Statements**  
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- In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvement process. The improvement process is designed to make non-urgent but necessary amendments to IFRS. Some of the amendments made to the existing standards included: clarifying the definition of "vesting conditions" in IFRS 2, "*Share-based payment*"; defining the classification and measurement of contingent consideration; scope exclusion for the formation of joint arrangements in IFRS 3, "*Business Combinations*", and modifying the definition of a "related party" in IAS 24, "*Related Party Disclosures*". The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2014. The adoption of these standards is not expected to have a material impact on the Company's financial statements.

The Company will be required to adopt IFRS 9 in the future; however, the IASB has removed the effective date for this IFRS as they finalize and complete their comprehensive project on financial instruments. IFRS 9, "*Financial Instruments*" (Amended) incorporates new requirements on accounting for financial liabilities. The new standard eliminates the existing multiple classification and measurement categories under IAS 39 or held-to-maturity, available for sale and loans and receivables and replaces them with a single model that has only two classification categories: amortized cost and fair value. The adoption of the amended standard is not expected to have a material impact on the Company's financial statements.

4. Accounts receivable

Trade receivables are due within 30 days from the date of billing. See note 11(c) for further details on the Company's credit risk.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>2013</b>	<b>2012</b>
1 - 30 days	\$ -	\$ 475
31 - 90 days	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 475</u>

During the years ended December 31, 2013 and 2012, the Company had no bad debt expense or allowance for doubtful accounts.



**Immunnall Science Inc.**  
**Notes to Financial Statements**  
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5. Equipment

	<b>Furniture</b>	<b>Total</b>
Cost at December 31, 2011, 2012 and 2013	\$ <u>2,550</u>	\$ <u>2,550</u>
Accumulated amortization - December 31, 2011	\$ 1,472	\$ 1,472
Amortization expense	<u>255</u>	<u>255</u>
Accumulated amortization - December 31, 2012	1,727	1,727
Amortization expense	<u>255</u>	<u>255</u>
Accumulated amortization - December 31, 2013	\$ <u>1,982</u>	\$ <u>1,982</u>
Net book value		
December 31, 2012	\$ <u>823</u>	\$ <u>823</u>
December 31, 2013	\$ <u>568</u>	\$ <u>568</u>

6. Accounts payable and accrued liabilities

	<b>2013</b>	<b>2012</b>
Trade payables	\$ 450	\$ 1,339
Other payables and accrued liabilities (note 8)	<u>57,313</u>	<u>53,069</u>
	\$ <u>57,763</u>	\$ <u>54,408</u>

7. Share capital

(a) Authorized		
Unlimited number of common shares		
20,000,000 preferred shares, issuable in one or more series		
20,000,000 redeemable preferred shares, issuable in one or more series		
(b)	<b>Number</b>	<b>Stated value</b>
Issued: Common shares		
Balance, December 31, 2011 and 2012	42,265,842	\$ 945,248
Shares cancelled (note 7(c))	<u>(8,830,080)</u>	<u>(197,479)</u>
Balance, December 31, 2013	<u>33,435,762</u>	\$ <u>747,769</u>

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(c) On January 11, 2011, the Company issued a joint management information circular and proxy statement relating to the amalgamation of the Company with Altius Edge Ltd. The amalgamation was completed on March 31, 2011, at which point holders of certificates formerly representing Immunall shares had two years to surrender those certificates in exchange for new Immunall share certificates, representing common share ownership of the Company. At March 31, 2013, 8,830,080 certificates formerly representing Immunall shares had not been surrendered and exchanged, resulting in the cancellation of the associated common shares of the Company.

(d) Stock options

The Company has a stock option plan pursuant to which the Board of Directors of the Company may grant options to purchase common shares to the officers, directors and employees of the Company or affiliated companies and to consultants retained by the Company.

The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

A summary of the status of the Company's stock options as at December 31, 2013 and 2012 and changes during the periods then ended are as follows:

	<b>2013</b>		<b>2012</b>	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	-	\$ -	500,000	\$ 0.10
Expired	-	\$ -	(500,000)	\$ 0.10
Outstanding and exercisable, end of year	-	\$ -	-	\$ -

No options were granted during the years ended December 31, 2013 and 2012.

**Immunnall Science Inc.**  
**Notes to Financial Statements**  
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(e) Loss per share

Loss per share is calculated based on the basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2013 of 35,661,426 (2012 - 42,265,842). The effect of all potential dilutive items have been excluded from the diluted calculation for the year ended December 31, 2012 as the Company incurred a loss during the year ended December 31, 2012, and the effect would be anti-dilutive.

8. Related party transactions

(a) The Company has not entered into transactions with related parties during 2013 or 2012, however \$45,412 in accounts payable remain outstanding relating to consulting fees charged by corporations owned by management and directors in prior periods.

Amounts included in accounts payable and accrued liabilities are due under normal credit terms.

(b) The Company has not paid any compensation to executives, directors or employees during the years ended December 31, 2013 and 2012.

9. Income taxes

(a) The components of the Company's deferred tax asset and associated movement are as follows:

	<b>December 31, 2012</b>	<b>Recognized in Loss</b>	<b>December 31, 2013</b>
Cumulative eligible capital	\$ 185,051	\$ (12,954)	\$ 172,097
Non-capital loss carry-forwards	330,908	21,415	352,323
Other	104	(8)	96
Valuation allowance	<u>516,063</u>	<u>8,453</u>	<u>524,516</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>December 31, 2011</b>	<b>Recognized in Loss</b>	<b>December 31, 2012</b>
Cumulative eligible capital	\$ 198,979	\$ (13,928)	\$ 185,051
Non-capital loss carry-forwards	305,030	25,878	330,908
Other	136	(32)	104
Valuation allowance	<u>504,145</u>	<u>11,918</u>	<u>516,063</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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- (b) Income tax recovery differs from that which would be expected from applying the approximate combined effective Canadian federal and provincial income tax rates of 25% (2012 - 25%) to loss before income taxes as follows:

	<b>2013</b>	<b>2012</b>
Loss before income taxes	\$ <u>(34,015)</u>	\$ <u>(48,951)</u>
Expected income tax recovery	(8,504)	(12,238)
Other	41	320
Deferred income tax benefit not recognized	<u>8,463</u>	<u>11,918</u>
	<u>\$ -</u>	<u>\$ -</u>

- (c) The Company has available the following non-capital loss carryforwards for which no benefit has been recognized in the financial statements:

<u>Amount</u>	<u>Year of Expiry</u>
\$ 27,828	2014
81,192	2015
270,129	2026
302,300	2027
175,433	2028
265,794	2029
80,537	2030
16,907	2031
103,151	2032
<u>85,660</u>	2033
<u>\$ 1,408,931</u>	

In addition, the Company has \$688,389 of cumulative eligible capital for which no benefit has been recognized in the financial statements.

10. Commitment

The Company has a licensing and royalty memorandum of understanding with the initial developer of the technology that is being utilized exclusively by the Company for the production of products from ginseng roots. As part of the memorandum of understanding, the Company is required to pay a royalty of 5% of the invoiced cost of each production run incurred by the Company.

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11. Financial instruments and risk management

(a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair values of financial instruments

The fair value of the Company's cash and accounts payable and accrued liabilities approximate their carrying value due to immediate or short-term maturity of these financial instruments. Currently, the Company is not involved in any hedging activities.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instrument in the Company's financial statements measured at Level 1 fair value is cash.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations.

Credit risk exists in cash, which is mitigated by the Company holding its cash in major Canadian banking financial institutions.

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(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The financial liabilities on the statements of financial position consist of accounts payable and accrued liabilities, which includes \$45,412 due to related parties (note 8) that is not expected to be repaid in the next year. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

(e) Capital risk management

The Company's objectives in managing its capital is to safeguard the Company's assets to be able to continue as a going concern, and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity (deficiency). The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets or incur debt.

There have been no changes to the Company's capital disclosure policy during the years ended December 31, 2013 and 2012 and the Company is not subject to externally imposed capital requirements at December 31, 2013 and 2012.