AREV NUTRITION SCIENCES INC.
(formerly Immunall Science Inc.)

Financial Statements

For the Years Ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

SATURNAGROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.)

We have audited the accompanying financial statements of AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.), which comprise the statements of financial position as at December 31, 2016, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's 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 involves evaluating the appropriateness of the 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.) as at December 31, 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.) to continue as a going concern.

Other Matter
The financial statements of AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.) as at December 31, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on April 20, 2016.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

July 19, 2017

AREV Nutrition Sciences Inc.
(formerly Immunall Science Inc.)
Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2016 $	December 31, 2015 $
ASSETS		
Current assets		
Cash	194,137	1,721
Amounts receivable	10,905	4,481
Inventory (Note 3)	22,884	–
Prepaid expenses and deposits	15,918	8,293
Total current assets	243,844	14,495
Non-current assets		
Property and equipment (Note 4)	401,342	2,844
Intangible assets (Note 5)	148,852	–
Total non-current assets	550,194	2,844
Total assets	794,038	17,339
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	231,115	129,871
Due to related parties (Note 8)	15,808	51,805
Total current liabilities	246,923	181,676
Non-current liabilities		
Convertible debentures (Note 7)	363,360	–
Total liabilities	610,283	181,676
Shareholders' equity (deficit)		
Share capital	1,292,769	747,769
Share subscriptions receivable (Note 9)	(5,000)	–
Equity portion of convertible debentures	59,750	–
Share-based payment reserve	422,248	422,248
Deficit	(1,586,012)	(1,334,354)
Total shareholders' equity (deficit)	183,755	(164,337)
Total liabilities and shareholders' equity (deficit)	794,038	17,339

Nature of operations and continuance of business (Note 1)
Commitments (Note 13)
Subsequent events (Note 17)

Approved and authorized for issuance on behalf of the Board of Directors on July 19, 2017:

/s/ "Stephane Maher"

Stephane Maher, Director

/s/ "Mike Withrow"

Mike Withrow, Director

(The accompanying notes are an integral part of these financial statements)

AREV Nutrition Sciences Inc.
(formerly Immunall Science Inc.)
Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Operating expenses		
Advertising and marketing	10,772	2,025
Amortization and depreciation	7,202	356
Consulting fees	22,198	12,170
Management fees (Note 8)	82,733	–
Office and administration	2,812	872
Professional fees	40,715	33,869
Rent and utilities	36,102	11,380
Transfer agent and regulatory fees	23,416	21,287
Total operating expenses	225,950	81,959
Loss before other expense	(225,950)	(81,959)
Other expense		
Interest expense	(25,708)	(2,197)
Net loss	(251,658)	(84,156)
Loss per share, basic and diluted	(0.12)	(0.08)
Weighted average common shares outstanding	2,041,967	1,013,209

(The accompanying notes are an integral part of these financial statements)

AREV Nutrition Sciences Inc.
(formerly Immunall Science Inc.)
Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable	Equity portion of convertible debentures	Share-based payment reserve	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount $	$	$	$	$	$
Balance, December 31, 2014	1,013,200	747,769	–	–	422,248	(1,250,198)	(80,181)
Net loss for the year	–	–	–	–	–	(84,156)	(84,156)
Balance, December 31, 2015	1,013,200	747,769	–	–	422,248	(1,334,354)	(164,337)
Common shares issued for cash	5,200,000	260,000	(5,000)	–	–	–	255,000
Common shares issued for purchase of equipment	2,000,000	100,000	–	–	–	–	100,000
Common shares issued for acquisition of intangible assets	3,000,000	150,000	–	–	–	–	150,000
Common shares issued for compensation	700,000	35,000	–	–	–	–	35,000
Equity component of convertible debentures	–	–	–	59,750	–	–	59,750
Net loss for the year	–	–	–	–	–	(251,658)	(251,658)
Balance, December 31, 2016	11,913,200	1,292,769	(5,000)	59,750	422,248	(1,586,012)	183,755

(The accompanying notes are an integral part of these financial statements)

AREV Nutrition Sciences Inc.
(formerly Immunall Science Inc.)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Operating activities		
Net loss	(251,658)	(84,156)
Adjustments for items not involving cash:		
Amortization and depreciation	7,202	356
Accretion of discount on convertible debentures	8,110	–
Share-based compensation	35,000	–
Changes in non-cash working capital items:		
Amounts receivable	(6,424)	(3,073)
Inventory	(22,884)	–
Prepaid expenses	(7,625)	(7,897)
Accounts payable and accrued liabilities	122,896	46,187
Due to related parties	4,135	–
Net cash used in operating activities	(111,248)	(48,583)
Investing activities		
Purchase of property and equipment	(4,552)	(3,200)
Net cash used in investing activities	(4,552)	(3,200)
Financing activities		
Advances from related party	53,216	51,805
Proceeds from issuance of common shares	255,000	–
Net cash provided by financing activities	308,216	51,805
Increase in cash	192,416	22
Cash, beginning of year	1,721	1,699
Cash, end of year	194,137	1,721
Non-cash investing and financing activities:		
Common shares issued for acquisition of intangible assets	150,000	–
Common shares issued for acquisition of property and equipment	100,000	–
Convertible debenture issued for acquisition of property and equipment	300,000	–
Convertible debenture issued as settlement of amount due to related party	93,348	–
Convertible debenture issued as settlement of related party accounts payable	21,652	–
Fair value of equity portion of the convertible debentures issued	59,750	–
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Continuance of Business

AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.) (the “Company”) was incorporated under the Business Corporations Act (Alberta) on November 22, 2005. On June 30, 2016, the Company changed its name to AREV Nutrition Sciences Inc. and changed its incorporation jurisdiction to be British Columbia. The Company was a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American ginseng. During 2014, the Company ceased its ginseng operations and is currently developing and plans on distributing its line of natural health products. The registered address of the Company is Suite 440, 890 West Pender Street, Vancouver, BC, V6C 1J9. The principal place of business of the Company is Unit 2, 9049 Shaughnessy Street, Vancouver, BC, V6P 6R9. The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “ARV”.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2016, the Company has not generated any revenues from operations, has a working capital deficit of $3,079, and has an accumulated deficit of $1,586,012. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of inventory, the useful lives and recoverability of property and equipment and intangible assets, fair value of share-based payments and convertible debentures, and unrecognized deferred income tax assets.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Inventory

Inventory is comprised of nutritional products, and is recorded at the lower of cost or net realizable value on a first-in first-out basis. The Company establishes inventory reserves for estimated obsolete or unsaleable inventory equal to the difference between the cost of inventory and the estimated realizable value based upon assumptions about future and market conditions.

(e) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation 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 probably 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 operations during the period in which they are incurred.

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

Equipment	10 years
Leasehold improvements	3 years

(f) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The Company's patent is amortized using the straight-line method over its estimated remaining life of 17 years. The Company's health product formulations and related product licences have an indefinite life.

(g) 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 the statement of operations.

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.

2. Significant Accounting Policies (continued)

(g) Impairment (continued)

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 the statement of operations. 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.

(h) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. The Company does not have any items that impact comprehensive income (loss).

(i) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same, as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2016, the Company had 22,282,084 (2015 – nil) potentially dilutive shares outstanding.

(j) Share-based Payments

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 share-based payment reserve 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 share-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.

(k) Income Taxes

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

Current income 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.

2. Significant Accounting Policies (continued)

(k) Income Taxes (continued)

Deferred income 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 income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income 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 income 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 income tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred income 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.

(l) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The Company’s cash is classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

2. Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

2. Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(m) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements.

- IFRS 9, *Financial Instruments* (New)
- IFRS 2, *Share-based Payment* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian dollars)

3. Inventory

	2016 $	2015 $
Finished nutritional goods	22,884	–

4. Property and Equipment

	Equipment $	Leasehold improvements $	Total $
Cost:			
Balance, December 31, 2014	2,550	–	2,550
Additions	–	3,200	3,200
Balance, December 31, 2015	2,550	3,200	5,750
Additions	404,552	–	404,552
Balance, December 31, 2016	407,102	3,200	410,302
Accumulated Depreciation:			
Balance, December 31, 2014	2,550	–	2,550
Depreciation	–	356	356
Balance, December 31, 2015	2,550	356	2,906
Depreciation	4,988	1,066	6,054
Balance, December 31, 2016	7,538	1,422	8,960
Carrying Values:			
Balance, December 31, 2015	–	2,844	2,844
Balance, December 31, 2016	399,564	1,778	401,342

On September 16, 2016, the Company purchased assembled apparatus for extracting oils from natural biomass using fast freezing extraction methods from a director of the Company. The purchase price of $400,000 was payable by issuance of 2,000,000 common shares with a fair value of $0.05 per share and a $300,000 convertible debenture. Refer to Note 7(a). The shares were issued on December 9, 2016. Refer to Note 9(e).

(Expressed in Canadian dollars)

5. Intangible Assets

	Patents $	Intellectual property $	Total $
Cost:			
Balance, December 31, 2014 and 2015	–	–	–
Acquisitions	75,000	75,000	150,000
Balance, December 31, 2016	75,000	75,000	150,000
Accumulated Amortization:			
Balance, December 31, 2014 and 2015	–	–	–
Amortization	1,148	–	1,148
Balance, December 31, 2016	1,148	–	1,148
Carrying Values:			
Balance, December 31, 2015	–	–	–
Balance, December 31, 2016	73,852	75,000	148,852

(a) On September 16, 2016, the Company purchased a patent from a director of the Company. The purchase price of $75,000 was payable by issuance of 1,500,000 common shares with a fair value of $0.05 per share. The shares were issued on December 9, 2016. Refer to Note 9(d).

(b) On September 16, 2016, the Company entered into an agreement to purchase certain natural health product formulations and product licences with Health Canada from the Chief Executive Officer ("CEO") of the Company. The purchase price of $75,000 was payable by issuance of 1,500,000 common shares with a fair value of $0.05 per share. The shares were issued on December 9, 2016. Refer to Note 9(c).

6. Accounts Payable and Accrued Liabilities

	2016 $	2015 $
Trade payables	101,391	50,377
Trade payables – related parties (Note 8)	31,826	45,000
Accrued interest payable (Notes 7 and 8(a))	12,052	2,197
Other payables and accrued liabilities	85,846	32,297
	231,115	129,871

7. Convertible Debentures

(a) On September 16, 2016, the Company issued a $300,000 convertible debenture to a director of the Company for the purchase of equipment. Refer to Note 4. The debenture is unsecured, bears interest at 10% per annum, is due on September 16, 2018, and can be converted into units of the Company at $0.05 per unit. Each unit will consist of one common share and one transferable share purchase warrant. The share purchase warrants will be exercisable at a price of $0.05 per share for a period of two years from the date of issuance. The Company recorded the initial fair value of the debenture at $256,807, using a discount rate of 20%, which is management's estimate of the prevailing market rate for a company of similar size and operations. The convertible feature of the convertible debenture was recorded as equity, at an amount of $43,193, on initial recognition. As at December 31, 2016, the unamortized discount on the debenture was $37,330, and the carrying value of the debenture was $262,670. As at December 31, 2016, accrued interest of $8,712 (2015 - $nil) is included in accounts payable and accrued liabilities.

(b) On September 16, 2016, the Company issued $115,000 convertible debenture to a director of the Company for settlement of debt. The debenture is unsecured, bears interest at 10% per annum, is due on September 16, 2018, and can be converted into units of the Company at $0.05 per unit. Each unit will consist of one common share and one transferable share purchase warrant. The share purchase warrants will be exercisable at a price of $0.05 per share for a period of two years from the date of issuance. The Company recorded the initial fair value of the debenture at $98,443, using a discount rate of 20%, which is management's estimate of the prevailing market rate for a company of similar size and operations. The convertible feature of the convertible debenture was recorded as equity, at an amount of $16,557, on initial recognition. As at December 31, 2016, the unamortized discount on the debenture was $14,310, and the carrying value of the debenture was $100,690. As at December 31, 2016, accrued interest of $3,340 (2015 - $nil) is included in accounts payable and accrued liabilities.

8. Related Party Transactions

(a) On July 8, 2015, the Company entered into an agreement with a director of the Company to advance funds to the Company for a maximum amount of $100,000 to cover operating costs. The loan was unsecured, bore interest at 10% per annum, compounded monthly, and was due on demand. During the year ended December 31, 2015, $51,805 was advanced to the Company. During the year ended December 31, 2016, a further $41,543 was advanced to the Company. On September 15, 2016, the Company entered into an agreement with this director to convert $93,348 in principal, $7,319 in accrued interest, and $14,333 in accounts payable owed to this director into a convertible debenture with a principal balance of $115,000. Refer to Note 7(b). As at December 31, 2016, accrued interest of $nil (2015 - $2,197) is included in accounts payable and accrued liabilities.

(b) As at December 31, 2016, the Company owed $11,673 (2015 - $nil) to a director of the Company, which is unsecured, non-interest bearing, and due on demand.

(c) During the year ended December 31, 2016, the Company incurred management fees of $52,733 (2015 – $nil), which includes the fair value of common shares issued as a signing bonus of $25,000 (2015 – $nil) to the CEO of the Company. Refer to Note 9(f). As at December 31, 2016, the Company owed $4,135 (2015 – $nil) to the CEO of the Company.

(d) During the year ended December 31, 2016, the Company incurred management fees of $18,000 (2015 – $nil) to a director of the Company. As at December 31, 2016, the Company owed $31,826 (2015 - $nil) in accounts payable to this director.

(e) During the year ended December 31, 2016, the Company incurred management fees of $12,000 (2015 – $nil), which includes the fair value of common shares issued as a signing bonus of $10,000 (2015 – $nil) to a director of the Company. Refer to Note 9(f).

(f) As at December 31, 2016, the Company owed $nil (2015 - $22,500) in accounts payable to the former CEO of the Company.

(Expressed in Canadian dollars)

8. Related Party Transactions (continued)

(g) As at December 31, 2016, the Company owed $nil (2015 - $22,500) in accounts payable to the former Chief Operating Officer of the Company.

9. Share Capital

Authorized capital:

- unlimited common shares without par value
- 20,000,000 preferred shares, issuable in one or more series
- 20,000,000 redeemable preferred shares, issuable in one or more series

(a) On August 24, 2016, the Company consolidated its common shares on the basis of 33 pre-consolidation common shares to 1 post-consolidation common share. All the figures as to the number of common shares, prices of issued shares, as well as the loss per share, in the financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

(b) On November 15, 2016, the Company issued 5,200,000 units at a price of $0.05 per unit for proceeds totalling $260,000, of which $5,000 is recorded in share subscriptions receivable as at December 31, 2016. Of these units, 200,000 units for proceeds of $10,000 were issued to a brother of a director of the Company, 200,000 units for proceeds of $10,000 were issued to a director of the Company, and 600,000 units for proceeds of $30,000 were issued to a brother of a director of the Company. Each unit consisted of one common share and one share purchase warrant exercisable at $0.10 per share until May 16, 2018. The warrants are subject to an accelerator clause in the event the majority of trading volume in the shares of the Company over 10 consecutive trading days exceeds $0.15, then notice may be given to warrant holders to exercise within 30 days failing which the warrants will expire.

(c) On December 9, 2016, the Company issued 1,500,000 common shares with a fair value of $75,000 to the CEO of the Company for the purchase of intangible assets at $0.05 per share. Refer to Note 5.

(d) On December 9, 2016, the Company issued 1,500,000 common shares with a fair value of $75,000 to a director of the Company for the purchase of intangible assets at $0.05 per share. Refer to Note 5.

(e) On December 9, 2016, the Company issued 2,000,000 common shares with a fair value of $100,000 to a director of the Company for the purchase of equipment at $0.05 per shares. Refer to Note 4.

(f) On December 9, 2016, the Company issued 700,000 common shares with a fair value of $35,000 to the CEO of the Company and a director of the Company as signing bonuses. Refer to Notes 8(c) and (e).

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2014 and 2015	–	–
Issued	5,200,000	0.10
Balance, December 31, 2016	5,200,000	0.10

(Expressed in Canadian dollars)

10. Share Purchase Warrants (continued)

As at December 31, 2016, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
5,200,000	0.10	May 16, 2018

11. Stock Options

The Company has a stock option plan pursuant to which the Board 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. No options were granted or outstanding during the years ended December 31, 2016 and 2015.

12. Segmented Information

The Company operates in the nutraceutical industry, with all assets and operations located in Canada.

13. Commitments

(a) The Company has a licencing 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.

(b) On September 16, 2016, the Company entered into an agreement with the CEO of the Company whereby the Company agreed to pay $8,000 per month for services rendered. The Company also paid the CEO of the Company a one-time signing bonus of $25,000 by issuance of 500,000 common shares upon signing of the agreement. Refer to Note 8(c). The Company is to pay a one-time bonus of $100,000 payable by the issuance of 1,000,000 common shares of the Company, immediately following public filing of annual financial statements of the Company which show revenue in excess of $1,000,000 in the completed fiscal year.

(c) On August 27, 2015, the Company entered into a premises lease agreement that started on September 1, 2015 and ends on August 31, 2018 with a two year option to extend. Expected annual minimum payments under this lease arrangement are as follows:

	$
2017	33,096
2018	22,046
	55,142

(Expressed in Canadian dollars)

14. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to sustain future development of the business. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions receivable, equity portion of convertible debentures, and share-based payment reserve.

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.

The Company is not subject to externally imposed capital requirements and there have been no changes to the Company's capital management policy during the year ended December 31, 2016.

15. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as December 31, 2016, as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Carrying Amount at December 31 2016 $
Cash	194,137	–	–	194,137

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

The initial fair value of the liability component of the Company's convertible debentures, with a carrying amount of $363,360 as at December 31, 2016, was measured using Level 2 inputs to be $355,250. The fair value for the liability component of convertible debenture was estimated using the discounted cash flows technique. The valuation model considers the present value of expected payments, discounted using a discount rate that approximates the market rate for the Company's loans and borrowings. The estimated fair value would increase (decrease) if the market rate of borrowing were lower (higher).

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in Canadian dollars)

15. Financial Instruments and Risks (continued)

(c) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. 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.

16. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2016 $	2015 $
Canadian statutory income tax rate	26%	27%
Income tax recovery at statutory rate	(65,431)	(22,722)
Tax effect of:		
Permanent differences and other	9,707	(52)
Change in enacted tax rates	22,130	–
Expiry of non-capital loss	–	(21,922)
Change in unrecognized deferred income tax assets	33,594	44,696
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2016 $	2015 $
Deferred income tax assets		
Non-capital losses carried forward	485,461	423,854
Property and equipment	1,556	(77)
Cumulative eligible capital	144,094	173,740
Total gross deferred income tax assets	631,111	597,517
Unrecognized deferred income tax assets	(631,111)	(597,517)
Net deferred income tax assets	–	–

(Expressed in Canadian dollars)

16. Income Taxes (continued)

As at December 31, 2016, the Company has the following non-capital losses carried forward, which are available to offset future years' taxable income. These losses expire as follow:

Year of expiry	$
2026	270,129
2027	302,300
2028	175,433
2029	265,794
2030	80,537
2031	17,965
2032	107,630
2033	90,057
2034	127,109
2035	132,874
2036	297,329
	1,867,157

17. Subsequent Events

(a) On April 20, 2017, the Company's $115,000 convertible debenture was converted into 2,300,000 units of the Company at $0.05 per unit, with each unit consisting of one common share and one share purchase warrant of the Company.

(b) On May 23, 2017, the Company entered into a credit facility agreement with a director of the Company, up to a maximum of $50,000, to fund its operations. The credit facility is unsecured, bears interest at 10% per annum, compounded monthly, and is due on demand after January 4, 2018.