



AREV Life Sciences

**AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY
AREV NANOTEC BRANDS INC.)
CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2021

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AREV Life Sciences Global Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AREV Life Sciences Global Corp. (formerly AREV Nanotec Brands Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about AREV Life Sciences Global Corp's ability to continue as a going concern.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Junaid Hassam.

HARBOURSIDE CPA LLP

Vancouver, British Columbia
May 2, 2022

Harbourside CPA, LLP
Chartered Professional Accountants

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Consolidated Statements of Financial Position

As at

(Expressed in Canadian dollars)

	Note	December 31 2021	December 31, 2020
ASSETS		\$	\$
Current			
Cash		158,313	297,626
Amounts receivable	5, 11, 13	128,982	26,441
Inventory	19	19,973	4,629
Prepaid expenses		30,870	14,172
Assets held for sale	7	-	515,379
Total Current Assets		338,138	858,247
Non-Current			
Property and equipment	7	236,944	323,873
Right of use asset	8, 16	47,486	94,971
Investment	6	1	1
Total Assets		\$622,569	\$1,277,092
LIABILITIES			
Current			
Accounts payable and accrued interest	10, 11, 12, 13	585,894	549,095
Due to related parties	6, 13	54,436	633,195
Lease liability	8	52,339	47,358
Loan payable	12	-	162,970
Convertible debenture	11, 13	23,408	473,408
Total Current Liabilities		716,077	1,866,026
Non-Current			
Lease liability	8	-	52,300
Total Liabilities		716,077	1,918,326
SHAREHOLDERS' DEFICIENCY			
Share capital	14	13,153,671	12,045,076
Shares issuable		155,100	105,100
Share subscriptions receivable		(5,600)	(12,500)
Equity portion of convertible debt	11	4,841	49,841
Share-based payment reserve	14	2,688,674	2,284,567
Warrant reserve	14	13,400	-
Accumulated other comprehensive income		168	133
Deficit		(16,103,762)	(15,113,451)
Total Shareholders' Deficiency		(93,508)	(641,234)
Total Liabilities and Shareholders' Deficit		\$622,569	\$1,277,092

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 16)

Subsequent events (Note 21)

Approved on behalf of the Board of Directors on May 2, 2022:

"Mike Withrow"

Director

"Denby Greenslade"

Director

The accompanying notes are an integral part of the consolidated financial statements

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and December 31, 2020
(Expressed in Canadian dollars, except number of shares)

	Note	December 31, 2021	December 31, 2020
Revenue	6, 13	\$254,996	\$190,577
Operating Expenses			
Advertising and marketing		186,214	5,293
Investor relations		-	-
Amortization and depreciation	7, 8	146,452	148,653
Licensing fees	13, 14	65,250	-
Consulting and management fees	13	596,502	143,281
Office and administration		84,881	62,086
Professional fees	13	167,727	92,616
Property expenses		8,993	81,789
Rent and utilities		30,406	20,939
Research and development		148,327	128,009
Share-based payments	13, 14	455,407	105,959
Transfer agent and regulatory fees		27,981	52,172
Travel and accommodation		3,492	2,920
Total Operating Expenses		1,921,632	843,717
Loss Before Other Expenses		(1,666,636)	(653,140)
Other Income (Expenses)			
Accretion of discount on debenture		-	(225)
Gain on settlement of debt	11	718,613	-
Impairment of inventory		(4,629)	-
Foreign Exchange		(436)	-
Forgiveness of debt	13	(5,349)	-
Gain on licensing fee	13,14	14,355	-
Impairment of assets	9	-	(200,000)
Impairment of investments	6	-	(79,999)
Revaluation of assets held for sale	7	-	(56,921)
Interest expense	8,11,12	(46,229)	(58,593)
Total Other Income (Expenses)		676,325	(395,738)
Net Loss		(990,311)	(1,048,878)
Other Comprehensive Income (Loss)			
Unrealized gain (loss) on foreign currency translation		(35)	(121)
Total Comprehensive Loss		\$(990,346)	\$(1,048,999)
Loss per share:			
Basic and diluted		\$(0.05)	\$(0.07)
Basic and diluted		19,586,366	15,361,496

The accompanying notes are an integral part of the consolidated financial statements

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended December 31, 2021 and December 31, 2020

(Expressed in Canadian Dollars, except number of shares)

	Share capital		Share Subscription Receivable	Shares Issuable	Equity Portion of Convertible Debentures	Share-based Payment Reserve	Warrant Reserve	Accumulated Other Comprehensive Income	Deficit	Total
	Common shares	Amount								
Balance at December 31, 2019	9,457,807	\$11,315,076	\$(12,500)	\$7,500	\$49,841	\$2,178,608	\$-	\$254	\$(14,064,573)	\$(525,794)
Shares issued for cash (Note 14)	7,500,000	450,000	-	-	-	-	-	-	-	450,000
Shares for debt (Note 14)	1,000,000	100,000	-	-	-	-	-	-	-	100,000
Exercise of warrants (Note 14)	2,250,000	180,000	-	-	-	-	-	-	-	180,000
Share subscriptions received	-	-	-	97,600	-	-	-	-	-	97,600
Share-based payment (Note 14)	-	-	-	-	-	105,959	-	-	-	105,959
Foreign currency translation loss	-	-	-	-	-	-	-	(121)	-	(121)
Net Loss	-	-	-	-	-	-	-	-	(1,048,878)	(1,048,878)
Balance at December 31, 2020	20,207,807	\$12,045,076	\$(12,500)	\$105,100	\$49,841	\$2,284,567	\$-	\$133	\$(15,133,451)	\$(641,234)
Shares issued for cash (Note 14)	3,660,000	751,700	-	(100,000)	-	-	13,300	-	-	667,400
Shares for debt (Note 14)	103,333	14,900	-	-	-	-	100	-	-	15,000
Exercise of warrants (Note 14)	1,860,000	148,800	-	150,000	-	-	-	-	-	298,800
Exercise of warrants for loan payment	500,000	40,000	-	-	-	-	-	-	-	40,000
Exercise of options (Note 14)	300,000	102,300	-	-	-	(51,300)	-	-	-	51,000
Shares issued for license (Note 14)	261,000	50,895	-	-	-	-	-	-	-	50,895
Share-based payment (Note 14)	-	-	-	-	-	455,407	-	-	-	455,407
Convertible debt settlement (Note 11)	-	-	-	-	(45,000)	-	-	-	-	(45,000)
Cash received from prior financing	-	-	6,900	-	-	-	-	-	-	6,900
Foreign currency translation	-	-	-	-	-	-	-	35	-	35
Net Loss	-	-	-	-	-	-	-	-	(990,311)	(990,311)
Balance at December 31, 2021	26,892,140	\$13,153,671	\$(5,600)	\$155,100	\$4,841	\$2,688,674	\$13,400	\$168	\$(16,103,762)	\$(93,508)

The accompanying notes are an integral part of the consolidated financial statements

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020
	\$	\$
Operating activities		
Net loss for the period	(990,311)	(1,048,878)
Adjustments for:		
Revenue related to Joint Venture	(100,000)	-
Amortization and depreciation	146,452	148,653
Accretion of discount on convertible debentures	-	225
Loss on impairment of Investment	-	79,999
Loss on impairment of assets	-	200,000
Loss on revaluation of assets held for sale	-	56,921
Share-based payments	455,407	105,959
Finance interest	46,229	9,851
Impairment of inventory	4,629	-
Gain on settlement of debt	(718,613)	-
Shares issued for licensing fee	65,250	-
Forgiveness of debt	5,349	-
Gain on licensing fee	(14,355)	-
Changes in non-cash working capital		
Amounts receivable	(2,541)	(4,604)
Prepaid expenses and deposits	(16,698)	19,880
Accounts payable and accrued interest	148,006	178,163
Due to related parties	(478,759)	234,944
Inventory	(19,973)	(4,629)
Net cash flows used in operating activities	(1,469,928)	(23,516)
Investing activities		
Purchase of property and equipment	(12,038)	(308,156)
Purchase of intangible assets	-	(95,333)
Proceeds from assets held for sale	60,212	-
Proceeds from formation of joint venture	-	20,000
Net cash flows provided by (used in) investing activities	48,174	(436,139)
Financing activities		
Proceeds from issuance of common shares	665,000	450,000
Proceeds from exercise of warrants	298,800	180,000
Proceeds from exercise of options	51,000	-
Repayment of loans	314,289	-
Funds received from prior financing	6,900	-
Lease payments	(53,583)	(52,650)
Proceeds from share subscriptions received	-	97,600
Net cash flows provided by financing activities	1,282,406	727,600
Effects of foreign exchange on rate changes on cash	35	-
Change in cash	(139,313)	267,945
Cash, beginning of year	297,626	29,681
Cash, end of year	\$158,313	\$297,626

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of the consolidated financial statements

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars – unless otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

AREV Life Sciences Global Corp. (formerly AREV Nanotec Brands Inc.) (the “Company”) was incorporated under the Business Corporations Act (Alberta) on November 22, 2005. The Company is a fully integrated, early-stage life science discovery enterprise dedicated to delivering solutions to public healthcare metrics through innovations and successful collaborations in the life science industry. The Company’s strategy is dedicated to generating revenue by way of novel therapeutic approaches to human nutrition and malnutrition, pandemic diseases, and neglected chronic co-morbidities.

On March 19, 2020, the Company consolidated its share capital on a 6-for-1 basis. These consolidated financial statements reflect this share consolidation on a retroactive basis.

On November 30, 2021, the Company acquired Wright and Well Essentials Inc. based in Canada (Note 19). Wright and Well is a 100% owned subsidiary of the Company.

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 109 - 91 Golden Drive, Coquitlam, BC, V3K 6R2. The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “AREV” and on October 9, 2019, the common shares began trading on the OTCQB Market (“OTCQB”) under the symbol “AREVF”.

These consolidated financial statements (the “financial statements”) have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2021, the Company had a working capital deficit of \$377,939 and an accumulated deficit of \$16,103,762. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or 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.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern. These adjustments could be material.

In 2020, there was a global outbreak of coronavirus that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company’s project exploration activities, cash flows and liquidity.

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars – unless otherwise noted)

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on May 2, 2022.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments which have been classified and measured at fair value. In addition, with the exception of cash flow information, these consolidated financial statements have been prepared using the accrual method of accounting.

All amounts in these consolidated financial statements are presented in Canadian dollars, the functional currency of the Company. The accounting policies set out below have been applied consistently.

c) Functional and presentation currency

Each entity within the Company has its results measured using the primary economic environment in which the entity operates. Judgment is necessary in assessing each entity’s functional currency. The Company considers the primary and secondary indicators as part of its decision-making process. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

d) Basis of consolidation

These consolidated financial statements have been prepared on a consolidated basis and include the account of the Company and the following subsidiaries:

Entity	Registered	Holding
Deutsche Medizinal Cannabis UG (inactive)	Munich, Germany	100%
Bare Topicals Ltd.	British Columbia, Canada	100%
Wright and Well Essentials Inc.	British Columbia, Canada	100%
Phytopharmaceuticals Inc. (formerly 9377-0204 Quebec Inc.)	Quebec, Canada	100%

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian dollars – unless otherwise noted)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits in banks.

b) Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Amounts receivable	Amortized cost
Assets held for sale	Amortized cost
Investment	FVTPL
Financial liabilities	
Accounts payable	Amortized cost
Loans payable	Amortized cost
Due to related parties	Amortized cost
Convertible debentures	Amortized cost
Lease liability	Amortized cost

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Cash and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities at amortized cost

Financial liabilities that are recognized initially at fair value and subsequently measured at amortized cost include accounts payable. Accounts payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable, accrued and settlement liabilities are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Impairment of financial instruments

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables, the Company has no material loss allowance as at December 31, 2021.

c) Impairment of non-financial assets

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is established to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purposes of impairment testing, property and equipment are allocated to cash-generating units to which the activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value of the shares as of the date of issuance.

e) Issuance of units

When share issuances include a warrant (referred to as a unit), the warrant component of the unit is valued using the residual method. Under this method, any amount received for the unit in excess of the fair value of the share is attributed to the warrant.

f) Share-based compensation

The Company has a stock option plan under which it may grant stock options to directors, employees, consultants and service providers.

The Company records a share-based compensation expense for all options granted to employees, or to those providing similar services, at the fair value of the equity instruments over the vesting period, with a corresponding increase in share-based payments reserve. Each transfer of an award is considered separately with its own vesting date and grant date fair value. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of each stock option at the date of grant. For awards with vesting conditions, a forfeiture rate is recognized at the grant date and is adjusted to reflect the number of awards expected to vest. As the options are exercised, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in share capital. The initial fair values of options that expire unexercised remain in share-based payments reserve.

For equity-settled share-based compensation to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received. If the fair value cannot be estimated reliably, then the Company would use the Black-Scholes Option Pricing Model. The Company has no cash-settled share-based compensation transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Reserve

The Company records stock option expense, equity component of convertible debenture, and contributed surplus within reserve on the Statement of Changes in Shareholders' Deficiency. When stock options or convertible debenture are exercised into common shares, the applicable amount under reserve will be transferred to share capital. For vested and expired conversion features or options, the applicable amount under the reserve account will be transferred to contributed surplus, also under the reserve account.

h) Loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is provided using the asset and 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.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Foreign currency translation

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee;
- d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

l) Property and equipment

Property and equipment are 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 consolidated statement of operations during the period in which they are incurred.

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

Equipment	30%
Leasehold improvements	3 years

m) Intangible assets

Intangible assets that are acquired by the Company such as formulations and intellectual development, have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses. These assets are reviewed for impairment or obsolescence when events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, intangible assets are written down to fair value based on discounted cash flows or other valuation techniques.

n) Joint arrangements

Pursuant to IFRS 11, Joint Arrangements, the Company is required to classify its interest in a joint arrangement as a joint venture or joint operation. A joint venture will be accounted for using the equity method of accounting, whereas a joint operation will recognize the venture's share of the assets, liabilities, revenue and expenses of the joint operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Assets held for sale

Non-current assets and disposal groups are classified as assets held for sale (“HFS”) if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost to sell. Impairment losses on initial classification as HFS and subsequent gains and losses on re-measurement are recognized in the income statement. Once classified as held for sale, property, and equipment are no longer amortized. The assets and liabilities are presented as held for sale in the statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification

p) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that result from certain unrealized gains or losses not recognized in the statements of loss.

q) Revenue recognition

The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations within the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when the amount of revenue can be measured reliably, the economic benefits associated with the revenue will flow to the Company, the stage of completion can be measured reliably, and the costs incurred for the transaction can be measured reliably.

Revenue is derived from the short-term rental of the Company’s equipment. Customers are billed upon the completion of the rental period and revenue is recognized when the rental period has ended.

r) Significant accounting judgements and estimates

The preparation of these consolidated financial statements in conformance with IFRS requires management to make estimates, judgments 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Share-based compensation

The fair value of stock options issued are subject to the limitations of the Black-Scholes Option Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact

Discount rates used on convertible debentures

The Company calculates the liability portion of convertible debentures by calculating the present value of the loan and related interest, using a discount rate equal to the market rate that would be given for a similar debt, without a conversion feature.

Useful Life of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment are amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;

4. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

a) Recent accounting pronouncements

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

5. AMOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
	\$	\$
GST receivable	25,310	22,914
Miscellaneous	103,672	3,527
	\$128,982	\$26,441

6. JOINT VENTURE

On June 18, 2020, the Company entered into a Joint Venture Agreement with Absolem Mushroom Extraction Inc. ("Absolem"). The goal of the joint venture is to develop a series of proprietary extraction procedures on a broad variety of fungi production what might be considered to be mushrooms of a "medicinal nature".

Upon formation of the joint venture the Company will have a 50% interest in the joint venture in return for providing Absolem with use of the equipment and providing its expertise, knowledge, knowhow, research methods, scientific facilities, and personnel. Absolem contributed \$20,000 cash and issued 1,066,667 common shares of Absolem to the Company, valued at \$80,000, in addition to providing supplies of mushrooms for research purposes of the joint venture. The common shares of Absolem are subject to share resale restrictions (i) no sales prior to a date that is 4 months after the distribution date or the date that Absolem becomes a reporting issuer in Canada, and (ii) without Absolem's consent the shares are released over a 36 month period following the listing of Absolem's securities on a Canadian stock exchange.

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6. JOINT VENTURE (continued)

As at December 31, 2020, the 1,066,667 common shares issued to the Company have been impaired by \$79,999, to \$1 and there is a liability of \$100,00 related to the joint venture recorded in due to related parties.

As at December 31, 2021, the Joint Venture has not been formed and the Company completed its obligation to Absolem and recognized the liability of \$100,000 as revenue.

7. PROPERTY AND EQUIPMENT

	Land	Equipment	Leasehold Improvements	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2019	572,300	287,113	3,200	862,613
Additions	-	308,156	-	308,156
Reclassification of assets held for sale	(572,300)	-	-	(572,300)
Impairment	-	(104,667)	-	(104,667)
Balance December 31, 2020	-	490,602	3,200	493,802
Additions	-	12,038	-	12,038
Balance December 31, 2021	\$-	\$502,640	\$3,200	\$505,840
Accumulated Depreciation	\$	\$	\$	\$
Balance, December 31, 2019	-	65,560	3,200	68,760
Additions	-	101,169	-	101,169
Balance December 31, 2020	-	166,729	3,200	169,929
Additions	-	98,967	-	98,967
Balance December 31, 2021	\$-	\$265,696	\$3,200	\$268,896
Carrying Value				
As at December 31, 2020	\$-	\$323,873	\$-	\$323,873
Balance December 31, 2021	\$-	\$236,944	\$-	\$236,944

Land held for sale is the Company's interest in a property in Sorrento, BC and the property was listed for sale as at December 31, 2020. The sale of the land closed on March 29, 2021 for net proceeds of \$515,379 which resulted in a loss on revaluation of assets held for sale of \$56,921 as at December 31, 2020. During the year ended December 31, 2021, the funds received from the sale were utilized to repay related mortgage indebtedness of the property of \$62,970 (Note 12) in addition to repayment of other related notes payables and payables of \$455,167 on the land, resulting in net proceeds to the Company of \$60,212.

AREV LIFE SCIENCES GLOBAL CORP. (FORMERLY AREV NANOTEC BRANDS INC.)**Notes to the Consolidated Financial Statements****For the year ended December 31, 2021**

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8. LEASES

The following tables summarize the difference between the operating lease commitment disclosed immediately preceding the date of recognition and the lease liability recognized in the consolidated statement of financial position:

Right of Use Asset	\$
Balance, December 31, 2019	-
Additions	142,455
Amortization	(47,484)
Balance, December 31, 2020	94,971
Amortization	(47,485)
Balance December 31, 2021	\$47,486
Lease Liability	\$
Balance, December 31, 2019	-
Additions	142,455
Lease payment	(52,650)
Lease interest	9,853
Balance, December 31, 2020	99,658
Lease payment	(53,583)
Lease interest	6,264
Balance December 31, 2021	\$52,339
	\$
Current portion	52,339
Long-term portion	-
Balance December 31, 2021	\$52,339

9. INTANGIBLES

On April 4, 2020, the Company entered into an asset purchase agreement with a company controlled by the Chief Executive Officer of the Company. Pursuant to the agreement, the Company agreed to purchase a flash freezing extraction apparatus, the method, engineering know-how, business models and trade secrets consideration for \$200,000. Of the \$200,000 purchase price \$104,667 was allocated to the equipment (Note 7) and \$95,333 was allocated to the intangible assets. As at December 31, 2020 a loss on impairment of the equipment and the intangible assets was recognized to write-down the equipment and Intangible assets to \$nil and as such no balance remains on the consolidated statement of financial position as at December 31, 2021.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	\$	\$
Trade payables	549,552	432,942
Accrued liabilities	25,000	-
Accrued interest payable	11,342	116,153
	\$585,894	\$549,095

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11. CONVERTIBLE DEBENTURES

On July 3, 2018, the Company issued a \$450,000 convertible debenture related to the asset purchase and sale agreement with Matthew Harvey carrying on business under the branding “BC Bud Depot”. The debenture accrues interest at 8% per annum, was due on July 3, 2019, and is convertible into common shares of the Company at a price of \$3.00 per common share. On January 29, 2020, the Company filed a lawsuit against Matthew Harvey for non-delivery of assets and is claiming that \$5,250,000 paid for the assets by the issuance of shares of the Company. As at December 31, 2020, the accrued interest on the debenture totaled \$89,753 which was included in accounts payable and accrued liabilities (Note 10). During the year ended December 31, 2021 the Company settled the case with Matthew Harvey (Note 16) which led to the settlement of the convertible debenture of \$450,000, settlement of accrued interest of \$123,613, and equity portion of the loan of \$45,000, which resulted in the Company recording a gain on settlement of debt of \$718,613 and accounts receivable of \$100,000 related to the matter.

On January 17, 2019, the Company closed a purchase and sale agreement to acquire a 100% interest in real estate located in Sorrento, B.C. from a company controlled by the Chief Executive Officer of the Company. The purchase price was \$572,300 of which \$23,408 was paid by way of a convertible debenture issued by the Company accruing interest at 8% per annum. The remaining balance was paid in cash, of which \$526,592 was paid in fiscal 2018 and the remaining \$22,300 paid in fiscal 2019. The outstanding principal amount and outstanding accruing interest of the convertible debenture is convertible into common shares of the Company at a price of \$1.80 per common share. As at December 31, 2021, the accrued interest on the debenture totaled \$11,342 (December 31, 2020 - \$7,554) and is included in accounts payable and accrued liabilities. (Note 10).

12. LOANS

On March 5, 2019, the Company borrowed \$100,000 from an arm’s length party which bears interest at 8% compounded annually, is unsecured by a specific fixed asset and due on demand. On March 25, 2021 the Company repaid the principal balance of \$100,000 and upon repayment the lender forgave the \$16,597 of accrued interest during the period ended December 31, 2021. As at December 31, 2021 accrued interest of \$nil (December 31, 2020 - \$14,597) is included in accounts payable and accrued liabilities (Note 10).

On January 17, 2019, the Company acquired land which had a mortgage retained on title in the amount of \$62,970. The mortgage is non-interest bearing is subject to repayment upon the Company disposing of the land. On March 29, 2021, the Company repaid the balance and as at December 31, 2021 \$Nil (December 31, 2020 - \$62,970) remains outstanding (Note 7).

13. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Company incurred:

- \$3,788 (2020 - \$2,907) in interest expense to a Company related to the CEO of the Company.
- \$123,635 (2020 - \$56,000) in share-based payments in connection to options granted to directors and officers of the Company.
- \$72,000 (2020 - \$72,000) in consulting fees to the Corporate Secretary and CFO of the Company.
- \$31,430 (2020 - \$nil) in professional fees to a former Director of the Company.
- \$65,883 (2020 - \$5,269) in consulting fees to the former CFO of the Company.
- \$65,250 (2020 - \$nil) for licensing fees to a company controlled by a Director of the Company.

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13. RELATED PARTY TRANSACTIONS (continued)

- \$18,240 (2020 - \$nil) in consulting fees to a director of the Company.
- Recognized a loss of \$21,947 for the forgiveness of debt due from a company controlled by the CEO of the Company.
- \$100,000 (2020 - \$nil) recognized as revenue in connection to services rendered to its joint venture with Absolem.

As at December 31, 2021 the Company owed:

- \$34,750 (2020 - \$220,331) to a company controlled by the CEO of the Company. The amount consists of a payable of \$nil due from a company controlled by the CEO (2020 – payable of \$189,369) which is non-interest bearing, unsecured and due on demand, and \$23,408 (2020 - \$23,408) plus accrued interest of \$11,342 (2020 - \$7,554) from a convertible debenture (Note 11).
- As at December 31, 2021, the Company owed \$nil (2020 - \$242,265) to the CEO of the Company. On June 8, 2021, CEO exercised 500,000 warrants for \$40,000 (\$0.08/share) but the proceeds were deducted against the note payable to him.
- \$92,474 (2020 - \$63,000), of which \$38,038 (December 31, 2020 - \$Nil) was recorded in accounts payable and \$54,436 (December 31, 2020 - \$101,561) is recorded in due to related parties, to the Corporate Secretary of the Company.
- \$28,996 (2020 - \$nil) to a former Director of the Company.
- \$Nil (2020 - \$100,000) to a joint venture to be formed with Absolem which is recorded in due to related parties.
- \$24,791 (2020 - \$10,333) to the former CFO of the Company.
- \$18,240 (2020 - \$Nil) to a director of the Company.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value, 20,000,000 preferred shares, issuable in one or more series, and 20,000,000 redeemable preferred shares, issuable in one or more series.

Share transactions

During the year ended December 31, 2021, the Company issued the following:

- a) On January 6, 2021, the Company issued 1,000,000 units at \$0.10 per unit for proceeds of \$100,000. Each unit consists of one common share and one share purchase warrant with each warrant being exercisable at \$0.15 for a period of 12 months.
- b) On January 4, 2021 485,000 warrants were exercised at a price of \$0.08 per share for total proceeds of \$38,800.
- c) On March 16, 2021, 100,000 options were exercised at a price of \$0.17 per share for total proceeds of \$17,000. Upon exercise \$17,100 was reallocated from share-based payment reserve to share capital.
- d) On March 22, 2021, 200,000 options were exercised at a price of \$0.17 per share for total proceeds of \$34,000. Upon exercise \$34,200 was reallocated from share-based payment reserve to share capital.

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14. SHARE CAPITAL (continued)**Share transactions (continued)**

- e) On March 31, 2021, the Company issued 2,680,000 units at \$0.25 per unit which consisted of one share and one warrant to purchase one common share for proceeds of \$665,000. Based on the residual valuation method a value of \$13,400 was assigned to the warrants granted which was recognized as warrant reserve. The Company also issued 20,000 shares to settle \$5,000 of debt owed to a consultant of the Company, no gain or loss was recognized on settlement.
- f) On June 8, 2021, the Company issued 261,000 shares with a fair value of \$50,895 in connection to the distribution agreement signed with Germinator Genesis to obtain license rights. The agreed upon purchase price was 65,250 and as such the Company recognized a gain on licensing fee of \$14,355.
- g) On June 8, 2021, 500,000 warrants were exercised at a price of \$0.08 per share for total proceeds of \$40,000 which was deducted against a loan payable amount to the CEO of the Company.
- h) On November 8, 2021, the Company issued 83,333 shares with a fair value of \$10,690 to settle \$10,690 in debt with a Company controlled by the CEO, no gain or loss was recognized on settlement.
- i) On November 19, 2021, 1,000,000 warrants were exercised at a price of \$0.08 per share for total proceeds of \$80,000.
- j) On December 21, 2021, 375,000 warrants were exercised at a price of \$0.08 per share for total proceeds of \$30,000.
- k) On December 22, 2021, the Company received \$150,000 proceeds for shares subsequently issued.

During the year ended December 31, 2020, the Company issued the following:

- a) On April 3, 2020, the Company issued 3,750,000 units at \$0.06 per unit for proceeds of \$225,000. Each unit was comprised of one common share and one share purchase with each warrant being exercisable at \$0.08 per share expiring two years from the date of issuance.
- b) On April 17, 2020, the Company issued 3,750,000 units at \$0.06 per unit for proceeds of \$225,000. Each unit was comprised of one common share and one share purchase warrant with each warrant being exercisable at \$0.08 per share expiring two years from the date of issuance.
- c) On July 13, 2020, the Company settled \$100,000 in debt with the CEO of the Company by the issuance of 1,000,000 common shares at \$0.10.
- d) On December 22, 2020, the Company received share subscription proceeds in advance of \$97,600.
- e) On December 31, 2020, 2,250,000 warrants were exercised at a price of \$0.08 per share for 2,250,000 shares.

Share purchase warrants

Below is a summary of warrant activity during the year ended December 31, 2021:

	Amount Outstanding	Weighted Average Exercise Price
		\$
Outstanding December 31, 2019	255,557	1.77
Issued	7,500,000	0.08
Exercised	(2,250,000)	0.08
Expired	(255,557)	1.77
Balance at December 31, 2020	5,250,000	0.08
Issued	3,680,000	0.24
Exercised	(2,360,000)	0.08
Balance at December 31, 2021	6,570,000	\$0.17

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14. SHARE CAPITAL (continued)**Share purchase warrants (continued)**

Below is a summary of warrants outstanding as at December 31, 2021:

Warrants Outstanding	Exercise Price (\$)	Expiry Date	Weighted Average Remaining Life (years)
1,000,000	0.15	January 6, 2022	0.02
1,500,000	0.08	April 3, 2022	0.25
1,390,000	0.08	April 17, 2022	0.29
2,680,000	0.25	March 31, 2022	1.25
6,570,000	\$0.17		0.63

Stock options

During the year ended December 31, 2021, the Company granted the following options:

- On January 14, 2021, the Company granted 100,000 stock options to a consultant exercisable at a price of \$0.31 for a period of 5 years from the date of issuance. The Company recognized \$30,356 in share-based payments in connection to this grant.
- On January 19, 2021, the Company granted 50,000 stock options to a consultant exercisable at a price of \$0.31 for a period of 5 years from the date of issuance. The Company recognized \$15,672 in share-based payments in connection to this grant.
- On February 2, 2021, the Company granted 50,000 stock options to a consultant exercisable at a price of \$0.275 for a period of 5 years from the date of issuance. The Company recognized \$11,981 in share-based payments in connection to this grant.
- On February 9, 2021, the Company granted 250,000 stock options to consultants exercisable at a price of \$0.31 for a period of 5 years from the date of issuance. The Company recognized \$83,342 in share-based payments in connection to this grant.
- On February 17, 2021, the Company granted 350,000 stock options to a consultant exercisable at a price of \$0.39 for a period of 5 years from the date of issuance. The Company recognized \$109,514 in share-based payments in connection to this grant.
- On February 19, 2021, the Company granted 100,000 stock options to a consultant exercisable at a price of \$0.305 for a period of 5 years from the date of issuance. The Company recognized \$38,314 in share-based payments in connection to this grant.
- On June 1, 2021, the Company granted 150,000 stock options to a consultant exercisable at a price of \$0.17 for a period of 5 years from the date of issuance. The Company recognized \$25,011 in share-based payments in connection to this grant.
- On June 10, 2021, the Company granted 100,000 stock options to a director exercisable at a price of \$0.185 for a period of 5 years from the date of issuance. The Company recognized \$18,147 in share-based payments in connection to this grant.

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14. SHARE CAPITAL (continued)

Stock options (continued)

- i) On November 8, 2021, the Company granted 700,000 stock options to various directors, officers and consultants exercisable at a price of \$0.12 for a period of 5 years from the date of issuance. The Company recognized \$74,551 in share-based payments in connection to this grant.
- j) On December 23, 2021, the Company granted 175,000 stock options to a director and consultant exercisable at a price of \$0.31 for a period of 5 years from the date of issuance. The Company recognized \$48,519 in share-based payments in connection to this grant.

During the year ended December 31, 2021, the Company recorded share-based compensation of \$455,407. The weighted average grant date fair value of stock options granted during the year ended December 31, 2021 was \$0.22 per share.

During the year ended December 31, 2020, the Company granted the following options:

- (a) On December 14, 2020, the Company granted 400,000 stock options to directors, officers and consultants of the Company at a price of \$0.15 per option for a period of 5 years from the date of issuance. The Company recognized \$54,658 in share-based payments in connection to this grant.
- (b) On December 20, 2020, the Company granted 300,000 stock options to consultants of the Company at a price of \$0.17 per option for a period of 5 years from the date of issuance. The Company recognized \$51,301 in share-based payments in connection to this grant.

During the year ended December 31, 2020, the Company recorded share-based compensation of \$105,959. The weighted average grant date fair value of stock options granted during the year ended December 31, 2020 was \$0.15 per share.

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Year ended December 31, 2021	Year ended December 31, 2020
Risk-free interest rate	0.41% - 1.40 %	0.44%
Expected life (years)	5	5
Expected volatility	143.3% - 208.9%	202.7%

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14. SHARE CAPITAL (continued)

Stock options (continued)

A summary of the Company's stock option activity is as follows:

	Number Outstanding	Weighted Average Exercise Price
		\$
Balance, December 31, 2019	212,500	2.19
Granted	700,000	0.16
Cancelled	(112,500)	2.40
Balance, December 31, 2020	800,000	0.10
Granted	2,025,000	0.24
Exercised	300,000	0.17
Outstanding at December 31, 2021	2,525,000	0.29

A summary of the Company's stock options outstanding and exercisable as at December 31, 2021 is presented below:

Expiry Date	Options Outstanding	Options Exercisable	Exercise Price (\$)	Weighted Average Remaining Years
December 7, 2022	8,333	8,333	2.940	0.93
September 14, 2023	33,333	33,333	2.400	1.70
April 25, 2024	16,667	16,667	1.320	2.32
May 2, 2024	16,667	16,667	1.950	2.34
June 10, 2024	8,333	8,333	1.560	2.44
July 16, 2024	16,667	16,667	1.380	2.54
December 14, 2025	400,000	400,000	0.150	3.96
January 14, 2026	100,000	100,000	0.310	4.04
January 19, 2026	50,000	50,000	0.310	4.05
February 2, 2026	50,000	50,000	0.275	4.09
February 9, 2026	250,000	250,000	0.310	4.11
February 17, 2026	350,000	350,000	0.390	4.13
February 19, 2026	100,000	100,000	0.305	4.14
June 1, 2026	150,000	150,000	0.170	4.42
June 10, 2026	100,000	100,000	0.185	4.44
November 8, 2026	700,000	700,000	0.120	4.86
December 23, 2026	175,000	175,000	0.310	4.98
	2,525,000	2,525,000	\$0.290	4.30

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(Expressed in Canadian dollars – unless otherwise noted)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2021	Year ended December 31, 2020
	\$	\$
Non-cash investing and financing activities:		
Shares issued for debt settlement	15,000	100,000

16. COMMITMENTS AND CONTINGENCIES**Lease Commitments**

On December 2, 2019, the Company entered into an industrial lease agreement until December 2, 2022. The lease commenced on January 2, 2020. Expected annual payments under this lease arrangement are as follows:

	\$
2022	52,339
	\$52,339

Pending Litigation

On January 29, 2020, the Company commenced litigation in the Supreme Court of British Columbia against the Defendant, Matthew Harvey, the vendor of the BC Bud Depot Assets. The Company was seeking damages, punitive damages, interest, injunctive relief, and costs relating to breach of contract between Matthew Harvey and the Company. During the year ended December 31, 2021, the Company settled the claim and in connection to the settlement, the convertible debenture was forgiven (Note 11).

On August 17, 2021, the Company was approached by the Ministry of Labour regarding a complaint filed by a former consultant of the Company for unpaid fees relating to services rendered in 2019. As at December 31, 2021 the Company has recorded \$9,019 in relation to the services rendered by the consultant in accounts payable and does not expect to pay any additional damages or fees. However, the outcome of this complaint cannot be reasonably determined at this time.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash is based on level 1 inputs.

The Company's other financial instruments consist of accounts receivable, assets held for sale, investment, accounts payable, loans payable, due to related parties, convertible debentures and lease liability. The carrying values of these financial instruments approximate their respective fair values due to the term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's primary exposure to credit risk is its cash of \$158,313 at December 31, 2021. With cash on deposit with reputable financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2021, the Company had current liabilities totaling \$716,077 and cash of \$158,313 and is exposed to significant liquidity risk at this time. However, since the Company is in the development stage, it will periodically have to raise funds to continue operations and intends to raise further financing through private placements.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. The Company does not use derivative instruments to reduce its insignificant exposure to market risks.

18. CAPITAL MANAGEMENT

The Company includes shareholders' equity and any debt it may issue, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of

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18. CAPITAL MANAGEMENT (continued)

Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's property is in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. The Company is not subject to any external covenants.

19. ACQUISITION OF WRIGHT AND WELL ESSENTIALS

On November 30, 2021 the Company completed the acquisition of Wright and Well Essentials Inc. The acquisition failed to meet the definition of a business combination under IFRS 3 and as such was recorded as an asset acquisition. Through the acquisition the Company acquired inventory, branding and a website. The Company paid \$20,000 to acquire 100% ownership of Wright and Well Essentials Inc. The assets acquired primarily consisted of inventory.

20. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations at the statutory rates to income tax expense (recovery):

	December 31, 2021	December 31, 2020
Net loss before income taxes	(990,311)	\$ (1,048,878)
Statutory tax rate	27%	27%
Expected income tax expense	(267,384)	\$ (283,197)
Permanent differences	80,238	28,780
Increase in unrecognized deferred tax assets	174,368	1,730,548
Change due to prior year tax return and other	12,778	(1,476,131)
Deferred income tax recovery	\$ -	\$ -

Deferred tax balances:

The tax effects of temporary differences that give rise to future income tax assets are as follows:

	December 31, 2021	December 31, 2020
Non-capital losses carry-forward	3,332,000	\$ 3,182,000
Property and equipment	2,095,000	2,069,000
Investments	11,000	11,000
Lease obligation	14,000	27,000
Share issuance costs	-	2,000
Total deferred tax assets	5,452,000	5,291,000
Offset by deferred tax liabilities below	(13,000)	(26,000)
Less: unrecognized tax assets	(5,439,000)	(5,265,000)
Net deferred tax assets	\$ -	\$ -

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20. INCOME TAXES (continued)

Deferred tax liabilities are attributable to the following:

	2021		2020
Right of use assets	13,000	\$	26,000
Deferred tax liabilities			
Offset by deferred tax liabilities above	13,000		26,000
Net deferred tax liabilities	-	\$	-

The potential benefits of these carry-forward non-capital losses has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

The significant components of the Company's unrecognized deferred assets are as follows:

	Expiry date range	December 31, 2021	December 31, 2020
Non-capital losses	2014-2033	\$ 12,341,523	\$ 11,786,643
Property and equipment	No expiry	\$ 7,760,377	\$ 7,661,410
Investments	No expiry	\$ 79,999	\$ 79,999
Right of use asset	No expiry	\$ 52,339	\$ 99,658
Share issuance costs	2034-2037	\$ 0	\$ 8,200

Tax attributes are subject to review and potential adjustment by tax authorities.

21. SUBSEQUENT EVENTS

- On January 4, 2022, 1,000,000 warrants were exercised at \$0.15 and the company issued 1,000,000 common shares for gross proceeds of \$150,000.
- On January 10, 2022, 100,000 warrants were exercised at \$0.12 and the company issued 100,000 common shares for gross proceeds of \$12,000.
- On January 18, 2022, the Company granted 200,000 stock option to Directors, Officers and Consultants of the Company at a price of \$0.33 for a period of 5 years from the issuance date.
- On February 16, 2022, the Company granted 100,000 stock options to Directors, Officers and Consultants of the Company at a price of \$0.29 for a period of 5 years from the issuance date.
- On March 11, 2022, 125,000 warrants were exercised at \$0.08 and the company issued 125,000 common shares for gross proceeds of \$10,000.
- On March 16, 2022, 416,667 warrants were exercised at \$0.08 and the company issued 416,667 common shares for gross proceeds of \$33,333.
- On April 7, 2022, the Company issued 1,750,000 warrants at \$0.05 per warrant for proceeds of \$87,500 with each warrant being exercisable at \$0.23 for a period of 4 years.

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21. SUBSEQUENT EVENTS (continued)

- On April 7, 2022, 833,334 warrants were exercised at \$0.08 and the company issued 833,334 common shares for gross proceeds of \$66,667.
- On April 8, 2022, 1,000,000 warrants were exercised at \$0.08 and the company issued 1,000,000 common shares for gross proceeds of \$80,000.
- On April 18, 2022, the Company granted 150,000 stock options to Directors, Officers and Consultants of the Company at a price of \$0.22 for a period of 5 years from the issuance date.
- Subsequent to year end the Company changed the name of its Quebec subsidiary from 9377-0204 Quebec Inc. to Phytomedicine Inc.