

EVITRADE Health Systems Corp.

Consolidated Financial Statements
(Unaudited)

September 30, 2017 (Q1)
(Expressed in Canadian dollars)

EVITRADE Health Systems Corp.
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September 30, 2017

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NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), the Company hereby informs all readers that the accompanying unaudited condensed interim consolidated financial statements of the Company have not been reviewed by its auditor and have been prepared by and are the responsibility of management and Board of Directors for all financial statement information and reporting.

The attached unaudited condensed consolidated financial statements for the three months ended September 30, 2017 (Q1) have not been reviewed by the Company's auditor and should be read in conjunction with the Company's amended and restated audited consolidated financial statements and management discussion and analysis (MD&A) on Form 51-102F1 for the year ended June 30, 2017, as filed on SEDAR on November 21, 2017.

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements ("consolidated financial statements") of EVITRADE Health Systems Corp. are the responsibility of the management and Board of Directors of the Company. The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the financial statement notes. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are compliant with *IAS 34 - Interim Financial Reporting* as issued by the International Accounting Standards Board.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Sydney Au
Chief Executive Officer

Vancouver, BC
November 24, 2017

EVITRADE Health Systems Corp.

Consolidated Statement of Financial Position

As at

(Expressed in Canadian dollars)

	Note	September 30, 2017 \$	June 30, 2017 \$
Assets			
Cash & cash equivalents		9,682	1,498
Accounts receivables	4	37,679	38,027
Marketable securities		3,566	1
Prepaid expenses		—	2,866
Current assets		50,927	42,392
Deposits	14	6,000	6,000
Total assets		56,927	48,392
Liabilities			
Accounts payable	5, 11	10,769	11,575
Accrued liabilities	11	256,169	213,669
Interest payable	8	211,187	182,470
Loans payable	8	1,463,643	1,486,143
Management fees payable	11	112,500	90,000
Preferred shares	6, 14	6,000	6,000
Convertible debt	8	1,497,070	1,490,761
Current and total liabilities		3,557,338	3,480,618
Shareholders' Deficit			
Equity portion of convertible debt	8	47,125	47,125
Share capital	7	13,109,106	13,109,106
Contributed surplus		795,454	795,454
Deficit		(17,452,096)	(17,383,911)
Shareholders' deficit		(3,500,411)	(3,432,226)
Total liabilities and shareholders' deficit		56,927	48,392

*Commitments - Note 14**Plans of Arrangement - Note 13**The accompanying notes are an integral part of these Consolidated Financial Statements**Approved and authorized for dissemination by the Board of Directors on November 24, 2017:****"Sydney Au"***Sydney Au, Director***"Ron Ozols"***Ron Ozols, Director

EVITRADE Health Systems Corp.

Consolidated Statements of Loss and Comprehensive Loss

September 30, 2017 (Q1)

(Expressed in Canadian dollars)

		For the three months ended September 30,	
	Note	2017	2016
		\$	\$
Continuing Operations			
Bank charges		166	170
Consulting fees		—	5,000
Finance charges	8	35,027	—
Business fees & Licensing		545	500
Listing fees		3,650	1,325
Office & miscellaneous		98	1,084
Management fees	11	22,500	—
Professional fees		17,500	7,875
Rent		—	—
Transfer agent & filing fees		1,011	1,079
Travel		663	3,239
Loss from continuing operating activities		(81,160)	(20,273)
Discontinued Operations			
Profit (loss) from discontinued operations		—	—
Loss for the period		(81,160)	(20,273)
Other Comprehensive Income			
Gain on marketable securities		3,565	—
Gain on foreign exchange		9,410	—
Other comprehensive income for the period		12,975	—
Total comprehensive loss for the period		(68,185)	(20,273)
Earnings Per Share*			
Basic loss per common share		(0.00)	(0.00)
Diluted loss per common share		(0.00)	(0.00)
Common Shares Outstanding			
Weighted average common shares		15,386,932	7,290,265
Fully diluted common shares		19,593,461	7,290,265

*Note 3(k)

The accompanying notes are an integral part of these Consolidated Financial Statements

EVITRADE Health Systems Corp.

Consolidated Statement of Changes in Shareholders' Deficit

September 30, 2017

(Expressed in Canadian dollars, except the number of shares)

	Number of Outstanding Shares	Share Capital \$	Equity Portion of Convertible Debts, \$	Contributed Surplus, \$	Deficit, \$	Total Shareholders' Deficit, \$
Restated Balance, June 30, 2016	7,290,285	2,195,606	47,125	742,383	(427,455)	2,557,659
Share rounding on 15:1 consolidation	(20)	-	-	-	-	-
Net comprehensive loss for the period	-	-	-	-	(20,273)	(20,273)
Balance, September 30, 2016	7,290,265	2,195,606	47,125	742,383	(447,728)	(2,537,386)
Balance, June 30, 2017	15,390,265	13,109,106	47,125	795,454	(17,383,911)	(3,432,226)
Net comprehensive loss for the period	-	-	-	-	(68,185)	(68,185)
Balance, September 30, 2017	15,390,265	13,109,106	47,125	795,454	(17,452,096)	(3,500,411)

The accompanying notes are an integral part of these Consolidated Financial Statements

EVITRADE Health Systems Corp.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Note	Three months ended September 30,	
		2017	2016
Cash flows from operating activities			
Comprehensive loss for the period		(68,185)	(20,273)
Adjustments for non-cash items:			
Finance charges	9	35,026	—
Gain on marketable securities		(3,565)	—
Gain on foreign exchange		(9,410)	—
Change in non-cash working capital items:			
Accounts receivable		348	1,545
Prepaid expenses		2,866	—
Accounts payable		(806)	6,081
Accrued liabilities		42,500	—
Management fees payable		22,500	—
Cash generated from (used in) continued operating activities		21,274	(12,647)
Cash used in discontinued operating activities		—	—
Net cash generated from (used in) operating activities		21,274	(12,647)
Cash flows from investing activities			
Intangible assets		—	(285,000)
Cash used in continued investing activities		—	(285,000)
Cash used in discontinued investing activities		—	—
Net cash used in investing activities		—	(285,000)
Cash flows from financing activities			
Proceeds from loans payable		57,170	312,674
Repayment of loans payable		(70,260)	—
Cash provided by continued financing activities		(13,090)	312,674
Cash provided by discontinued financing activities		—	—
Cash from (used in) financing activities		(13,090)	312,674
Net increase in cash and cash equivalents for the period		8,184	15,027
Cash and equivalents, June 30		1,498	3,875
Cash and cash equivalents at September 30		9,682	18,902
Supplemental information:			
Interest paid		—	—
Income taxes paid		—	—

The accompanying notes are an integral part of these Consolidated Financial Statements

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

EVITRADE Health Systems Corp. (formerly Auxellence Health Corporation) (the “Company” or “EVITRADE”) was incorporated on November 9, 2011 under the laws of British Columbia, Canada.

EVITRADE is a technology company offering Automated Biomedical Care online for common health problems. The Company has developed a platform for electro-physiologically interactive computing that supports therapeutic-diagnostic along with multiple online software applications that are to be used for personal health management.

The Company’s office and mailing address is #168 – 11280 Twigg Place, Richmond, BC V6V 0A6.

On September 16, 2016, the Company announced and affected a name change to Evitrade Health Systems Corp. In conjunction with the name and symbol change, the Company announced and consolidated its common shares 15:1 with a September 21, 2016 record date.

The Company’s shares are listed on Canadian Securities Exchange (“CSE”) under the symbol “EVA”, as changed on September 19, 2016, and trades on the OTC Markets Group Inc.’s marketplace under (“OTCQB: AXHLF”).

2. BASIS OF PRESENTATION**a. Statement of compliance**

These unaudited consolidated financial statements for the interim period ended September 30, 2017 have been prepared in accordance with *IAS 34 - Interim Financial Reporting* in addition to other applicable International Accounting Standards (IAS) as issued by the International Accounting Standards Board (“IASB”). The Company’s significant accounting policies are described in the Note 3. Significant accounting estimates, judgments and assumptions have been used or exercised by management in the preparation of these consolidated financial statements.

b. Going concern basis of presentation

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and have the ability to realize its assets and discharge its liabilities in the normal course of business. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption, which may require management to reassess the financial viability of the Company as a going concern.

The Company’s licensed proprietary medical device and systems may take several years to reach successful commercialization and require a minimum of \$2.5 million in additional investment to complete, if ever, that may result in positive operating revenues and profitability. The Company recognized full impairment and write-down on its TULIP™ and related intellectual assets to \$Nil; recording a loss on impairment of \$16,810,748 for the year June 30, 2017.

2. BASIS OF PRESENTATION (continued)

b. Going concern basis of presentation - (Continued)

As a Company in early development stage, management does not anticipate generating operating revenues for several years, other than incidental revenue.

At September 30, 2017, the Company had not yet achieved profitable operations, had recurring losses, a deficit of \$17,452,096 (June 30, 2017: \$17,383,911). As at September 30, 2017, the Company has a working capital deficit of \$3,506,411 (June 30, 2017: \$3,438,226). The Company expects to incur further losses and potential working capital deficits in the development of its business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material in nature.

c. Principles of consolidation

These consolidated financial statements include the assets, liabilities and results of operations for Evitrade and its four newly formed and inactive companies 1109871 BC Ltd., 1109870 BC Ltd., 1109863 BC Ltd., and 1109858 BC Ltd. that are wholly-owned entities setup for the Company's 2017 Plan of Arrangement.

All inter-company balances, transactions and unrealized profits are eliminated on consolidation.

d. Basis of measurement -

These consolidated financial statements have been prepared using the historical cost convention except for some financial instruments that have been measured at fair value.

e. Functional and presentation currency -

All monetary references expressed in these consolidated financial statements and notes are in Canadian dollar amounts ("\$/").

f. Reclassification of prior year amounts –

Certain prior period financial figures have been reclassified for consistency in financial reporting with the current interim period ended September 30, 2017.

2. BASIS OF PRESENTATION (continued)

g. Significant accounting judgments and estimates -

The preparation of these consolidated financial statements in conformity with *IAS 34 – Interim Financial Reporting* and other applicable International Accounting Standards requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Ability to continue as a going concern -

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), whose subsequent changes could materially impact the validity of such an assessment.

(ii) Share-based compensation expense -

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(iii) Impairment of financial assets -

The carrying value and the recoverability of intangible assets, which are included in the statements of financial position. The recoverability of intangible asset is evaluated at each reporting date to determine whether there are any indications of impairment.

2. BASIS OF PRESENTATION (continued)

g. Significant accounting judgments and estimates - (continued)

(iii) Impairment of financial assets - (continued)

The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible asset. External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its intangible asset. Internal sources of information the Company considers include the manner in which intangible asset are being used or are expected to be used and indications of economic performance of the assets.

(iv) Income taxes -

The Company operates in the United States and Canada and is subject to multiple tax jurisdictions, and consequently, income is subject to various rates and rules of taxation. As a result, the Company's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in a different jurisdiction. The Company calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The future realization of deferred tax assets can be affected by many factors, including: current and future economic conditions, net realizable sale prices, and can either be increased or decreased where, in the view of management, such change is warranted. In determining whether a deferred tax asset is probable, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. (Note 12)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are in effect for the interim period ended September 30, 2017 and have been applied consistently to all periods presented in these financial statements.

a. Cash and cash equivalents -

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less.

b. Shared-based payments -

The fair value of any options granted is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. There are currently no options outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Deferred income taxes -

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

d. Discontinued operations -

A discontinued operation is a former subsidiary and related business of the Company, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a former wholly-owned subsidiary;
- is disposed of under a plan of arrangement; or
- is a subsidiary acquired with the exclusive view to re-sale or dispose.

The Company recognizes C&C Cosmeceuticals Corp. and 2554191 Ontario, Inc. as discontinued operations for the year ended June 30, 2017, after closing the spin-out under the court-approved 2017 Plan of Arrangement on May 24, 2017.

e. Financial instruments -

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The initial measurement of financial assets and liabilities is fair value and their subsequent measurement is dependent on their classification as described below. Classification of a financial instrument depends on the purpose for which it was acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Asset / Liability	Classification	Subsequent measurement
Cash and cash equivalents	Fair value through profit or loss	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Deposits	Other non-current assets	Fair Value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Convertible debt	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Preferred shares	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial instruments - (continued)

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the period end date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in profit or loss.

Financial liabilities at fair value through profit or loss are those non-derivative financial liabilities that the Company elects to designate on initial recognition as financial instruments that it will measure at fair value. These are accounted for in the same manner as financial assets at fair value through profit or loss. The Company has not designated any non-derivative financial liabilities as financial liabilities at fair value through profit or loss.

Refer to compound financial instruments note below for details on measurement of option component of convertible debt and derivatives.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or financial assets or financial liabilities at fair value through profit or loss investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized or deemed to be an other than temporary impairment when the cumulative loss is transferred to profit or loss.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial instruments - (continued)

Other financial liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of compound financial instruments is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not measured again subsequent to initial recognition. Interest, dividends, losses and gains relating to financial liabilities are recognized in profit or loss.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

g. Impairment of financial assets -

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each period end.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment of financial assets – (continued)

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 asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade 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 profit or loss.

With the exception of available-for-sale (AFS) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

h. Impairment of non-financial assets -

The carrying amounts of non-financial assets are reviewed for impairment at each reporting date, or whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. Reviews are undertaken on an asset-by-asset basis.

If the carrying amount of a non-financial asset exceeds the recoverable amount, being the higher of its fair value less costs to sell and its value-in-use, an impairment loss is recognized in net earnings as the excess of the carrying amount over the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Impairment of non-financial assets - (continued)

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed production plans. The mine plan is the basis for forecasting production output in each future year and for forecasting production costs. For value-in-use calculations, production costs and output may be revised to reflect the continued use of the asset in its present form.

Non-financial assets that have suffered an impairment are tested for a possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. In these instances, the impairment loss is reversed to the recoverable amount but not beyond the carrying amount, net of amortization, that would have arisen if the prior impairment loss had not been recognized. Goodwill impairments are not reversed.

i. Share capital -

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

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

j. Other comprehensive income -

Other comprehensive income (OCI) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholder and includes items that are not included in net profit. OCI consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges, and foreign exchange valuation adjustments on assets and liabilities during the period.

k. Loss per share -

Basic loss per share is computed by dividing the net comprehensive loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive ("in the money").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Loss per share – (continued)

The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

l. Provisions -

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

m. Research and development costs -

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. During the interim periods ended September 30, 2017 and 2016, \$nil was incurred or expensed on research activities. The Company took full write-down on all its intangible assets at June 30, 2017.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized if, and only if, it has demonstrated all of the following:

- development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- future economic benefits are probable; and
- the Company intends to and has sufficient resources to complete development and to use or sell the asset

Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, contracting, consulting, professional fees, administration and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

September 30, 2017

*(Expressed in Canadian dollars)***3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. New standards and interpretations not yet applied -

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt this standard when it becomes effective. The following pronouncements are being assessed to determine its impact on the Company's results and financial position:

- Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard. The Company is currently evaluating the impact of this standard.

4. ACCOUNTS RECEIVABLE

	September 30, 2017 \$	June 30, 2017 \$
Accounts receivable	—	460
Government remittances recoverable	37,679	37,567
	37,679	38,027

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at

	Note	September 30, 2017 \$	June 30, 2017 \$
Accounts payable		9,748	11,575
Expense reimbursement payable		1,021	—
Accrued liabilities	11	256,169	213,669
		266,670	225,244

6. REDEEMABLE PREFERRED SHARES

(a) Authorized - Unlimited Class A preferred shares

(b) Issued:

	September 30, 2017		June 30, 2017	
	Shares	Amount, \$	Shares	Amount, \$
Class A preferred shares				
Balance, beginning of period	52,349,902	6,000	21,188,842	2,000
Issued – Plans of Arrangement	—	—	38,951,325	5,000
Redeemed	—	—	(7,790,265)	(1,000)
Closing balance	52,349,902	6,000	52,349,902	6,000

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Notes to the Consolidated Financial Statements

September 30, 2017

*(Expressed in Canadian dollars)***6. REDEEMABLE PREFERRED SHARES (continued)**

The Class A preferred shares, with an average redemption price of \$0.000115 each for a total value of \$6,000, are non-voting, non-participating and are mandatorily redeemable by the Company in accordance with the Plans of Arrangement. As at September 30, 2017, 60,140,167; \$6,000 value (June 30, 2017: 60,140,167; \$6,000 value) convertible Series A preferred shares were outstanding and will be redeemed once the spin-out transactions are completed under the 2014 and 2017 Plans of Arrangement. (Note 14)

7. SHARE CAPITAL

- a. Authorized: unlimited Common shares, without par value; and
unlimited Series A preferred shares, without par value. (Note 6)

- b. Issued and Outstanding:

Common shares – 15,386,932 (2017: 15,386,932) issued and outstanding as of September 30, 2017, excluding 3,333 common shares bought into treasury.

Reserved for issuance – 4,206,529 as of September 30, 2017 (2017: 4,613,196)

Share purchase warrants:

As of September 30, 2017, the following warrants were outstanding and exercisable:

<i>Number of Warrants Outstanding</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Number of Common Shares Issuable</i>
551,000	\$ 1.50	August 29, 2019	551,000
530,773	\$ 1.50	September 1, 2019	530,773
86,667	\$ 1.50	March 16, 2021	86,667
133,333	\$ 1.50	April 7, 2021	133,333
1,301,773			1,608,440

A summary of the Company's issued and outstanding warrants as at September 30, 2017, June 30, 2016, and 2015 and changes during those periods is presented below:

	Warrants Outstanding	Weighted Average Exercise Price \$
Balance, June 30, 2015	1,533,440	1.50
Granted	220,000	1.50
Exercised	(45,000)	(1.50)
Balance, June 30, 2016	1,708,440	1.50
Granted	—	—
Exercised	(100,000)	1.50
Balance, June 30, 2017	1,608,440	1.50
Expired	(306,667)	(1.50)
Balance, September 30, 2017	1,301,773	1.50

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

September 30, 2017

*(Expressed in Canadian dollars)***7. SHARE CAPITAL (continued)**

Share Options:

The Company has adopted an incentive share option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares.

Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

A summary of the status of the Company's stock options as at September 30, 2017, June 30, 2017, and 2016 and changes during those periods is presented below:

	Options Outstanding	Weighted Average Exercise Price (\$)
Balance, June 30, 2016	133,334	\$ 1.95
Cancelled	(133,334)	(\$ 1.95)
Balance, June 30, 2017	—	—
Balance, September 30, 2017	—	—

All previously issued options were cancelled in fiscal 2017. As of September 30, 2017, there were no stock options outstanding.

8. DEBT

Balance, June 30, 2015	-
Issuance of 18-month convertible debenture (i)	800,318
Issuance of 18-month convertible debenture (ii)	653,464
Accretion capitalized	5,786
Balance, June 30, 2016	\$1,459,568
No activity	—
Balance, June 30, 2017	\$1,490,761
Accretion capitalized	6,309
Balance, September 30, 2017	\$1,497,070

a. Convertible debt

- i. Eighteen-month convertible debt (dated February 19, 2016): Consists of \$826,210 of convertible debt, fully accreted as of August 19, 2017, issued to Decanex, Inc. that is controlled by a major shareholder of the Company, has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$0.75 per common share. On August 19, 2017, Decanex did not converted its debt as scheduled, nor as of September 30, 2017 and subsequent period. The Company is currently renegotiating the debt. (Note 15)

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

September 30, 2017

*(Expressed in Canadian dollars)***8. DEBT (continued)****a. Convertible debt (continued)**

- ii. On June 30, 2016, the Company issued \$674,697 of convertible debt, with an accreted value of \$670,860 as at September 30, 2017, as settlement of demand loans payable to Sydney Au, CEO and director, that has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$0.75 per common share. Mr. Au may, within the specified time period, convert his debt at his discretion.

Total interest payable on the convertible debt as of September 30, 2017 is \$211,187 (June 30, 2017: \$182,470) with \$6,309 of accreted value recorded for the three months ended September 30, 2017.

b. Demand loans

The following table summarizes issued and outstanding demand loans as at September 30, 2017 and June 30, 2017:

	Note	September 30, 2017 \$	June 30, 2017 \$
Loans payable		884,280	974,603
Loans payable, related parties	11	579,363	511,540
		1,463,643	1,486,143

On March 23, 2017, \$150,000 of demand loans payable were settled through the exercise of warrants. (Note 9)

As at September 30, 2017, the Company had total loans payable of \$1,463,643 (June 30, 2017: \$1,486,143) that are of due upon demand, without interest or terms of repayment.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, liquidity risk, interest rate risk, and currency risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

a. *Capital management (continued)*

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the commercialization of the licensed proprietary health monitoring/therapeutic systems and the identification and evaluation of potential acquisitions.

To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

b. *Credit risk*

The Company's credit risk was primarily attributable to bank balances, GST/HST receivable. The Company limits its credit exposure on cash held in bank accounts firstly by holding its key transactional bank accounts with banks of international financial institutions. GST/HST receivable is due from Canadian Government and management believes that the credit risk to be minimal.

c. *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

As at September 30, 2017, the Company had cash and equivalents of \$9,682 (June 30, 2017: \$1,498) and accounts payable and accrued liabilities of \$265,649 (June 30, 2017: \$225,244). All of the Company's financial liabilities have or are treated with maturities of less than one year, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt, loan extensions, or equity financing to meet the Company short term and long-term cash requirement.

d. *Interest rate risk*

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

e. *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of U.S. dollar denominated cash, financial instruments, and financial liabilities will fluctuate with foreign exchange rate changes.

10. FAIR VALUE

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements on a recurring basis by within the fair value hierarchy. The Company does not have any non-recurring fair value measurements. Measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

10. FAIR VALUE (continued)

The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2017 and June 30, 2017:

	September 30, 2017		June 30, 2017	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash and cash equivalents	\$ 9,682	\$ 9,682	\$ 1,498	\$ 1,498

The methods of measuring each of these financial assets and liabilities have not changed during the past year or applicable interim period. The Company does not have any financial assets or liabilities measured at fair value based on unobservable inputs (Level 3). The fair values of financial instruments measured at amortized cost approximate their carrying amounts.

11. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2017 the following related party transactions occurred, compared to three months ended September 30, 2016 (Q1-2017):

- (a) Management fees of \$22,500 (Q1-2017: \$Nil) were expensed and accrued for Sydney Au, CEO and Director. Total accrued management fees payable to Mr. Au at September 30, 2017 is \$112,500 (Q1-2017: \$Nil; June 30, 2017: \$90,000).
- (b) Sydney Au, CEO and Director, loaned the Company \$3,350 (Q1-2017: \$Nil) and was repaid for demand loans of \$64,473 (Q1-2017: \$Nil) and is owed \$1,021 for reimbursement of expenses.
- (c) The Company has accrued liabilities of \$224,169 (2017: \$199,169) owing to Decanex, Inc. regarding service payments due under the GSA totaling \$199,169, plus a \$25,000 advance repaid to the Company in the current period. No fees have been accrued under the GSA for the three months ended September 30, 2017, as the Company and Decanex renegotiate and/or settle all outstanding obligations between the parties. (Notes 13, 15)

These above transactions are in the normal course of operations and are measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

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*(Expressed in Canadian dollars)***12. INCOME TAXES**

The Company has accumulated non-capital losses expire as follows (tax attributes are subject to revision and potential adjustment by tax authorities):

YEAR	\$
2032	305,534
2033	798,008
2034	1,040,896
2035	1,530,647
2036	345,275
2037	36,936,292
2038	68,185

A reconciliation of income taxes at statutory rates is as follows:

	September 30, 2017 \$	September 30, 2016 \$
Loss before income taxes	(81,160)	(20,273)
Expected income tax (recovery) at 26%	(21,102)	(5,271)
Tax effects of:		
Non-deductible expenses and other deductions	3,374	—
Prior period adjustment	—	—
Change in valuation allowance	17,728	5,271
Deferred income tax recovery	—	—

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

	September 30, 2017	June 30, 2017
Substantively enacted tax rate	26%	26%
Deferred income tax assets:		
Non-capital losses	11,120,493	11,102,765
Eligible capital expenditures	236,991	236,991
Deferred development costs	—	—
Valuation allowance	(11,357,484)	(11,339,756)
Net deferred income tax assets	—	—

Estimated taxable income for the period is \$Nil. Deferred tax assets have not been recognized because it is not probable that future taxable income will be available against which the Company can utilize the benefits from the deductible temporary differences and unused tax losses.

13. COMMITMENTS

On February 25, 2016, the Company amended the licensing, development, collaboration, marketing and GSA with Decanex Inc. The agreement requires monthly payments of \$95,000 for a term of five years commencing April 2016 for the further research and development of the TULIP™ intangible asset.

Year	Commitment
2017	1,140,000
2018	1,140,000
2019	1,140,000
2020	855,000

As of June 30, 2017, as mutually agreed between the Company and Decanex, there is a “*stand-still*” pending renegotiation and/or settlement of all obligations related to the GSA, debt conversion, and accrued service fees, and other commitment. As a result, no service fees were recorded or accrued for the period ended September 30, 2017. (Notes 11, 15)

14. PLANS OF ARRANGEMENT**2014 Plan of Arrangement**

The Company has two former subsidiaries with outstanding Series A Preferred share conversions and pushout for common shares under the 2014 court approved Plan of Arrangement (2014-POA) as of the date of this statement.

As of September 30, 2017, the Company has \$2,000 in remaining deposits and related letters of intent for each spin-out, along with equivalent convertible Series A preferred shares under the 2014-POA. (Note 6)

2017 Plan of Arrangement

In March 2017, the Company filed and received court approval for its 2017 Plan of Arrangement (“2017-POA”) for the planned spin-out of C&C Cosmeceuticals Corp. (“C&C”) and four newly formed subsidiary corporations to facilitate five spin-out transactions.

On May 24, 2017, the Company completed the C&C spin-out transaction under the 2017 POA.

As of September 30, 2017, the Company has \$4,000 in remaining deposits and related letters of intent for each spin-out, along with equivalent convertible Series A preferred shares under the 2017-POA. (Note 6)

15. SUBSEQUENT EVENTS

Material events and transactions subsequent to the interim period ended September 30, 2017, excluding those non-material in nature and occurring during the normal course of operations, consist of the following:

15. SUBSEQUENT EVENTS (continued)

On October 12, 2017, the Company's general security agreement with 2554191 Ontario, Inc. was terminated as mutually agreed in conjunction with May 2015 debt forgiveness and exchange agreements.

As of November 24, 2017, the \$826,210 of convertible debt owing to Decanex, Inc. has not been converted as scheduled on August 19, 2017 and the Company and Decanex continue in a mutually agreed "*stand-still*" pending renegotiation and/or settlement of all obligations between the parties. (Notes 8, 11, 13)