



EVITRADE Health Systems Corp.

Consolidated Financial Statements

(Audited)

For the Years Ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

EVITRADE Health Systems Corp.
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June 30, 2018

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p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURNARD STREET
BOX 243
VANCOUVER, BC V7X 1M9



charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
EVITRADE HEALTH SYSTEMS CORP.

We have audited the accompanying consolidated financial statements of Evitrade Health Systems Corp., which comprise the consolidated statements of financial position as at June 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Evitrade Health Systems Corp. as at June 30, 2018 and 2017 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 30, 2018

EVITRADE Health Systems Corp.

Consolidated Statement of Financial Positions

As at

(Expressed in Canadian dollars)

		June 30, 2018 \$	June 30, 2017 \$
	Note		
Assets			
Cash & cash equivalents		449,815	1,498
Accounts receivable	4	63,965	38,027
Loans receivable	9	100,000	—
Marketable securities	16	3,666	1
Prepaid expenses		53,030	2,866
Total Current Assets		670,476	42,392
Deposits	16, 18, 19	391,595	6,000
Intangible properties	5, 12	—	—
Total Assets		1,062,071	48,392
Liabilities			
Accounts payable	6, 12	37,230	11,575
Accrued liabilities	12	267,169	213,669
Interest payable	9	223,687	182,470
Loans payable	9	1,223,199	1,486,143
Management fees payable	12	175,000	90,000
Preferred shares	7, 16	4,000	6,000
Convertible debt	9	826,210	1,490,761
Total Current and Total Liabilities		2,756,495	3,480,618
Shareholders' Deficit			
Equity portion of convertible debt		25,892	47,125
Share capital	8, 16	16,253,967	13,109,106
Contributed surplus		349,187	795,454
Deficit		(18,323,470)	(17,383,911)
Total Shareholders' Deficit		(1,694,424)	(3,432,226)
Total Liabilities and Shareholders' Deficit		1,062,071	48,392

*Going Concern (Note 2b)**Commitments (Note 16)**Plans of Arrangement (Note 18)**Subsequent Events (Note 19)**The accompanying notes are an integral part of these Consolidated Financial Statements*

Approved and authorized for issue by the Board of Directors on October 30, 2018:

"C.K. Cheung"

C.K. Cheung, Director and CEO

"Faisal Manji"

Faisal Manji, Director and CFO

EVITRADE Health Systems Corp.

Consolidated Statement of Loss and Comprehensive Loss

For the Years Ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	Note	2018 \$	2017 \$
Operating Expenses			
Bank charges		610	931
Brokerage services	8	350,000	730,000
Consulting fees		121,360	128,169
Finance charges	9	55,584	183,369
Interest expense		—	253
License & taxes		545	3,254
Listing expenses		24,058	18,610
Management fees	12	135,000	90,000
Office & miscellaneous		237	930
Professional fees		44,000	7,967
Rent		—	19,466
Share-based compensation	8	—	66,570
Travel		663	3,383
Transfer agent & filing fees		8,811	10,560
Website & social media		207,270	—
Operating loss before other items		(948,138)	(1,263,462)
Other Items:			
Other income		3,219	9,524
Gain on foreign exchange		5,105	—
Gain on spinout of subsidiary	16	—	284,900
Impairment of intangible properties	5	—	(16,810,748)
Gain on held for sale securities		3,665	—
Write down of investment		—	(7,964,000)
Loss on sale of debt	9	—	(974,997)
Total other items		11,989	(25,455,321)
Loss and comprehensive loss from continued operations		(936,149)	(26,718,783)
Loss and comprehensive loss from discontinued operations		—	(10,217,509)
Net loss and total comprehensive income loss		(936,149)	(36,936,292)
Loss per common share – basic		\$ (0.04)	\$ (4.03)
Loss per common share - diluted		\$ (0.04)	\$ (4.03)
Weighted average number of common shares outstanding		24,291,635	9,161,361
Fully diluted number of common shares outstanding		40,815,835	13,774,557

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

EVITRADE Health Systems Corp.

Consolidated Statement of Changes in Shareholders' Deficit

For the Years Ended June 30, 2018 and 2017

(Expressed in Canadian dollars except the number of shares)

	Note	Number of Outstanding Shares	Share Capital \$	Equity Portion of Convertible Debts \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Deficit \$
Balance, June 30, 2016		7,290,285	2,195,606	47,125	742,383	(427,455)	2,557,659
Share rounding on 15:1 concolidation		(20)	-	-	-	-	-
Common shares issued to acquire IP		500,000	875,000	-	-	-	875,000
Issue convertible preferred shares for 2017 Plan of Arrangement		-	(5,000)	-	-	-	(5,000)
Exercise of warrants for settlement of debt		100,000	163,500	-	(13,500)	-	150,000
Shares issued for broker services		500,000	730,000	-	-	-	730,000
Common shares issued to acquire IP for subsidiary		50,000	144,000	-	-	-	144,000
Common shares issued to acquire IP		3,450,000	9,936,000	-	-	-	9,936,000
Shares issued to acquire 2554191 Ontario, Inc.		3,500,000	10,990,000	-	-	-	10,990,000
Common shares cancelled in subsidiary spinout		(15,390,265)	-	-	-	-	-
New common shares issued in subsidiary spinout		15,390,265	-	-	-	-	-
Derecognition of subsidiary share capital and shares issued to acquire to deficit		-	(920,000)	-	-	7,965,000	7,045,000
Shares issued to acquire subsidiary		-	(10,990,000)	-	-	10,990,000	-
Deconsolidation of subsidiaries		-	-	-	-	1,024,836	1,024,836
Securities acquired in spinout		-	-	-	1	-	1
SBC for 2016 stock options		-	-	-	66,570	-	66,570
Purchase of common shares to treasury		-	(10,000)	-	-	-	(10,000)
Net loss and comprehensive loss for the year		-	-	-	-	(36,936,292)	(36,936,292)
Balance, June 30, 2017		15,390,265	13,109,106	47,125	795,454	(17,383,911)	(3,432,226)
Share units issued for debt financing	8, 9	7,030,667	1,054,600	-	-	-	1,054,600
Share units issued for equity financing	8	7,969,333	1,195,400	-	-	-	1,195,400
Share issuance costs		-	(80,143)	-	-	-	(80,143)
Fair market value of warrants issued for debt financing	9	-	(527,300)	-	527,300	-	-
Fair market value of warrants issued for equity financing	8	-	(597,700)	-	597,700	-	-
Allocate equity portion of convertible debt on transition to standard loan	9	-	-	(21,233)	21,233	-	-
Shares issued in escrow	8, 18	5,000,000	1,750,000	-	(1,592,500)	-	157,500
Shares issued for services	8	1,000,000	350,004	-	-	-	350,004
Plans of arrangement	16	-	-	-	-	(3,410)	(3,410)
Net comprehensive loss for the year		-	-	-	-	(936,149)	(936,149)
Balance, June 30, 2018		36,390,265	16,253,967	25,892	349,187	(18,323,470)	(1,694,424)

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

EVITRADE Health Systems Corp.

Consolidated Statement of Cash Flows

For the Years Ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018 \$	2017 \$
Cash Flows from Operating Activities		
Net loss and comprehensive loss	(936,149)	(36,936,292)
Adjustments for non-cash items:		
Finance charges on convertible debt	41,217	31,193
Gain on marketable securities	(3,665)	—
Share-based payments for services	350,004	730,000
Loss on forgiveness of debt	—	974,997
Write down of investment	—	7,964,000
Foreign exchange loss	5,920	259
Change in non-cash working capital items:		
Accounts receivable	(25,938)	(32,313)
Prepaid expenses	(50,164)	24,820
Accounts payable	25,655	(6,121)
Accrued liabilities	53,500	(10,500)
Interest payable	—	152,176
Management fees payable	85,000	90,000
Cash used in continued operating activities	(454,620)	(10,425,363)
Cash provided by discontinued operating activities	—	10,438,739
Cash used in operating activities	(454,620)	13,376
Cash Flows from Investing Activities		
Cash acquired in acquisition of subsidiary	—	503,768
Cash transferred upon spin-out of subsidiary	—	(460,488)
Deposits, acquisitions and joint-venture	(230,095)	—
Increase in loans receivable	(100,000)	—
Intangible properties	—	(855,160)
Plans of arrangement	(3,410)	—
Cash used in continued investing activities	(333,505)	(811,880)
Cash used by discontinued investing activities	—	(43,280)
Cash used in investing activities	(333,505)	(855,160)
Cash Flows from Financing Activities		
Proceeds from demand loans payable	1,152,195	1,507,439
Repayment of demand loans payable	(1,031,010)	(778,032)
Net proceeds on issuance of common shares	1,115,257	—
Cash provided by continued financing activities	1,236,442	729,407
Cash provided by discontinued financing activities	—	110,000
Cash provided by financing activities	1,236,442	839,407
Net decrease in cash and cash equivalents	448,317	(2,377)
Cash and cash equivalents, beginning of year	1,498	3,875
Cash and cash equivalents, end of year	449,815	1,498
<u>Supplemental information:</u>		
Interest paid	4,743	—
Income taxes paid	—	—
<i>Non-cash Activities (Note 13)</i>		

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

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS:

EVITRADE Health Systems Corp. (the “Company” or “EVITRADE”) was incorporated on November 9, 2011 under the laws of British Columbia, Canada. The Company’s office and mailing address is #168 – 11280 Twigg Place, Richmond, BC V6V 0A6. EVITRADE is focused on developing technology and products for common health problems.

The Company’s shares are listed on Canadian Securities Exchange (“CSE”) under the symbol “EVA” and the OTC Markets Group Inc.’s marketplace under (“OTCQB: EVAHF”).

On September 16, 2016, the Company announced and affected a name change to Evitrade Health Systems Corp. and share trading symbol to EVA on the Canadian Securities Exchange (CSE) on September 19, 2016. 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 has signed several letters of intent and agreements for potential acquisitions, joint-venture, and proposed transactions during and after fiscal 2018. (see Notes 18 and 19)

These audited consolidated financial statements (hereinafter “financial statements”) of the Company for the year ended June 30, 2018 have been prepared by management and reviewed and authorized for publication by the Board of Directors on October 30, 2018. The financial statements are made available to shareholders and other stakeholders through the System for Electronic Document Analysis and Retrieval (“SEDAR”).

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

These consolidated financial statements for the years ended June 30, 2018 and 2017 were prepared in accordance with the International Financial Reporting Standards (“IFRS”) 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 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.

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 June 30, 2018, the Company had not yet achieved profitable operations, had recurring losses from continuing operations, a deficit of \$18,323,470 (2017: \$17,383,911). The Company expects to incur further losses in the development of its business and acquisitions subsequent to year end.

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 audited 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 natural.

c. Principles of consolidation -

These consolidated financial statements include the assets, liabilities and results of operations for several newly formed and inactive numbered companies that are wholly-owned entities in relation to the Company's 2017 Plan of Arrangement. (see Note 16)

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 notes are references to Canadian dollar amounts ("\$/").

2. BASIS OF PRESENTATION: (Continued)

f. Significant accounting judgments and estimates -

The preparation of these financial statements in conformity with IFRS 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 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:

Judgments:

(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 2b), whose subsequent changes could materially impact the validity of such an assessment.

Estimates:

(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. Refer to Note 8 for further details.

(iii) Impairment of financial assets -

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

2. BASIS OF PRESENTATION: (Continued)

f. 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. Refer to Note 14 for further details.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below are in effect for the years ended June 30, 2018 and 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. As at June 30, 2018 the Company had \$nil (2017: \$nil) in cash equivalents.

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. 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 financial asset	Fair Value
Marketable securities	Securities	Fair Value
Loan receivable	Loans and receivables	Amortized cost
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
Note payable	Other financial liabilities	Amortized cost
Preferred shares	Other financial liabilities	Amortized cost

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.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d. Financial instruments - (continued)

Financial assets or financial liabilities at fair value through profit or loss (continued)

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.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d. Financial instruments - (continued)

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.

Marketable Securities

Equity securities included in marketable securities are recoded at fair market value of \$3,666 (2017: at nominal value of \$1 given they were not trading with with no verifiable market as of June 30, 2017). Any realized gains and losses on the sale of securities are based on the average cost of all the units of a particular security held at the time of sale.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

e. 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. 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.

f. 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)

f. 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.

g. 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.

h. Comprehensive loss -

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholder and includes items that are not included in net profit. Other comprehensive income (loss) 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 changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholder's equity as Accumulated Other Comprehensive Income (Loss). The Company has not had other comprehensive income (loss) since inception and accordingly, a statement of comprehensive income (loss) has not been presented.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

i. Loss per share -

Basic loss per share is computed by dividing the net 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 share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. 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.

j. 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.

k. 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 period ended June 30, 2018 and 2017, \$nil was incurred or expensed on research activities.

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 measures 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

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

k. Research and development costs – (continued)

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.

l. Intangible Assets -

The Company owns intangible assets consisting of licensed patent rights and development costs. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in profit or loss on a straight line basis over the useful lives of intangible assets from the date they are available for use. The Company recognized the payments made to Decanex as development costs and amortization of the development costs is recognized over their useful lives, on the straight line basis over 10 years, commencing upon commercialization. Therefore, there has been no amortization to date.

m. New standards and interpretations not yet applied

IFRS 9 “Financial Instruments” is effective for financial years starting after January 1, 2018 that replaces certain sections of IAS 39 “Financial Instruments: Recognition and Measurements” relating to the classification and measurement of financial instruments and hedge accounting. The Company is currently assessing the effects of this new standards.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

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

m. New standards and interpretations not yet applied (continued)

IFRS 16 "Leases" is effective for annual reporting periods beginning on or after 1 January 2019 and establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this pronouncement. The extent of the impact has not yet been determined.

4. ACCOUNTS RECEIVABLE:

	June 30, 2018 \$	June 30, 2017 \$
Accounts receivable	60,000	460
Government remittances recoverable	3,965	37,567
Total Accounts Receivable	63,965	38,027

5. INTANGIBLE ASSETS:**Cost and Carrying Amounts**

	Patents \$	Acquisitions \$	Development Costs \$	Total \$
Balance, June 30, 2016	400,000	-	4,459,748	4,859,748
Additions	-	10,811,000	1,140,000	11,951,000
Impairment write-downs	(400,000)	(10,811,000)	(5,599,748)	(16,810,749)
Balance, June 30, 2017	—	—	—	—
Balance, June 30, 2018	—	—	—	—

In February 2016, the licensing, development, collaboration, marketing and general service agreement with Decanex Inc. was extended by an additional five years (see Note 13). The Company is currently renegotiating its GSA with Decanex, Inc. Amortization will commence upon commercialization. Therefore, there has been no amortization to date. The Company determined there was significant impairment on its intellectual properties and as a result it recorded 100% valuation allowance write-down of all R&D at June 30, 2017.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***5. INTANGIBLE ASSETS: (continued)**

On December 16, 2016, the Company signed an Asset Purchase Agreement to acquire intellectual property complementary to the TULIP™ technologies. The Company issued 500,000 common shares with a fair market value of \$875,000 or \$1.75 per share. The IP was subsequently determined to be impaired along with other intangible assets of the Company and full impairment and write-down of \$875,000 was record at June 30, 2017.

On April 3, 2017, the Company signed an Asset Purchase Agreement to acquire VoiceofHeart™ intellectual property complementary to the TULIP™ technologies. The Company issued 3,450,000 common shares with a fair market value of \$9,936,000 or \$2.88 per share. The IP was subsequently determined to be impaired along with other intangible assets of the Company and full impairment and write-down of \$9,936,000 was record at June 30, 2017.

All TULIP related IP was written off the end of Fiscal 2017.

On April 3, 2017, the Company issued 50,000 common shares with a fair market value of \$2.88 per share or \$144,000 to acquire industrial hemp related intellectual property for its wholly-owned subsidiary Eviana. Eviana subsequently determined the IP was impaired and wrote it off in April 2017. The impairment was classified as part of discontinued operations (Note 17).

On May 31, 2018, the Company transferred its TULIP related intellectual property to wholly-owned subsidiary Automated Techno Medical Corp. (formerly, 1109871 B.C. Ltd.) for \$10 and other good and valuable consideration in preparation for the spin out of 871BC pursuant to its 2017 Plan of Arrangement. (see Note 16)

6. ACCOUNTS PAYABLE:

As at

	June 30, 2018 \$	June 30, 2017 \$
Accounts payable	46,221	11,575
Advances payable to related parties (Note 12)	1,009	-
	47,230	11,574

7. REDEEMABLE PREFERRED SHARES:

(a) Authorized - unlimited Class A - preferred shares

(b) Issued:

	June 30, 2018		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	(21,188,842)	(2,000)	38,951,325	5,000
Redeemed	—	—	(7,790,265)	(1,000)
Closing balance	31,161,060	4,000	52,349,902	6,000

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

(Expressed in Canadian dollars)

7. REDEEMABLE PREFERRED SHARES: (continued)

The Class A - preferred shares, with an average redemption price of \$0.000115 each for a total value of \$4,000, are non-voting, non-participating and are mandatorily redeemable by the Company in accordance with the Plans of Arrangement.

On April 3, 2018, the Company completed its arrangement with Monterey Minerals Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. On May 4, 2018, the Company completed its arrangement with Rotonda Ventures Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed.

As at June 30, 2018, 31,161,060 convertible Class (or series) A preferred shares with \$4,000 fair value (June 30, 2017: 52,349,902; \$6,000 value) were outstanding and will be redeemed once the spin-out (divesting) transactions are completed under the 2017 Plans of Arrangement. (Note 16 and 18)

8. SHARE CAPITAL:

- a. Authorized: unlimited Common shares, without par value; and
unlimited Preferred shares, without par value.

- b. Issued and Outstanding:

Common shares – 36,386,932 (2017: 15,386,932) issued and outstanding as of June 30, 2018, excluding 3,333 common shares bought into treasury.

Reserved for issuance – 32,825,973 as of June 30, 2018 (2017: 4,613,196).

Escrow shares – 5,000,000 common shares with a fair market value of \$0.35 per share and total consideration of \$1,750,000 are held in escrow for pending acquisition of Artillery. 4,550,000 common shares were cancelled subsequent to year end. (see below and notes 18 and 19)

During the year ended June 30, 2017, the following transactions occurred:

On September 19, 2016, 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.

On December 16, 2016, the Company signed an Asset Purchase Agreement to acquire intellectual property complementary to the TULIP™ technologies. The Company issued 500,000 common shares with a fair market value of \$875,000 or \$1.75 per share.

On March 22, 2017, the Company issued 500,000 common shares with a fair market value of \$730,000 or \$1.46 per share to a broker for financial advisory services.

On March 23, 2017, the Company issued 100,000 common shares for the exercise of warrants at \$1.50 per warrant for total consideration of \$150,000 paid through settlement of debt.

8. SHARE CAPITAL: (continued)

b. Issued and Outstanding: (continued)

On April 3, 2017, the Company issued 50,000 common shares with a fair market value of \$2.88 per share or \$144,000 to acquire industrial hemp related intellectual property for its wholly-owned subsidiary Eviana. Eviana subsequently determined the IP was impaired and wrote it off in April 2017. The Company issued 3,450,000 common shares with a fair market value of \$2.88 per share or \$9,936,000 to acquire VoiceofHeart™ and related intellectual property to compliment the TULIP™ IP. The Company subsequently determined the IP was impaired along with the TULIP™ IP and recorded a full impairment write-down for the year end June 30, 2017.

On April 28, 2017, the Company issued 3,500,000 common shares with a fair market value of \$3.14 per share or \$10,990,000 for the acquisition of 2554191 Ontario, Inc. by the Company's wholly-owned subsidiary Evian.

During the year ended June 30, 2018, the following transactions occurred:

On December 21, 2017, the Company issued a total of 15,000,000 common shares and 15,000,000 share purchase warrants on closing of its equity and debt financing at \$0.15 per share unit (the "Offering"). Each share unit is comprised of one common share and one whole 5-year share purchase warrant exercisable at \$0.25.

Total proceeds for the equity financing portion of the Offering was \$1,195,400. The Company used the relative fair value method to allocate the total proceeds from the private placement and accordingly, \$597,700 of the total value was allocated to the shares and \$597,700 to the warrant. The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years, volatility of 114%, and a dividend yield of 0%.

The Company settled \$1,054,600 in loans payable for the debt financing portion of the Offering. The Company used the relative fair value method to allocate and accordingly, \$527,300 of the total value was allocated to the shares and \$527,300 to the warrant. The warrants were valued based on the Black-Scholes option pricing model with the following assumptions; risk free interest rate of 1.52%, expected life of 2.5 years, volatility of 114%, and a dividend yield of 0%. (see Note 9)

On April 27, 2018, the Company issued 5,000,000 common shares into escrow with a fair market value of \$0.35 per share for total value of \$1,750,000 for pending acquisition of Artillery Holding Inc., subject to due diligence review and other acquisition conditions. (see Note 18)

On April 27, 2018, the Company issued 1,000,000 common shares with a fair market value of \$0.35 and total consideration of \$350,000 for prior brokerage services.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***8. SHARE CAPITAL: (continued)**

b. Issued and Outstanding: (continued)

Share purchase warrants*As of June 30, 2018, the following warrants were outstanding and exercisable:*

Number of Warrants Outstanding	Exercise Price	Expiry Date	Number of Common Shares Issuable
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
15,000,000	\$ 0.25	December 20, 2022	15,000,000
16,301,773			16,301,773

On December 21, 2017, the Company issued a total of 15,000,000 5-year share purchase warrants exercisable at \$0.25 as part of its Offering.

A summary of the Company's issued and outstanding warrants as at June 30, 2018, 2017, and 2016 and changes during those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price, \$
Balance, June 30, 2016	1,708,440	1.50
Granted	—	—
Exercised	(100,000)	(1.50)
Balance, June 30, 2017	1,608,440	1.50
Granted	15,000,000	0.25
Expired	(306,667)	(1.50)
Balance, June 30, 2018	16,301,773	0.35

During the year ended June 30, 2018, a total of 306,667 (2017: 100,000) warrants expired that had an exercise price of \$1.50 and 16,301,773 (2017: 1,608,440) warrants remain outstanding with an average exercise price of \$0.35.

The fair value of warrants issued in conjunction with the Company's December 2017 debt and equity offerings were \$527,300 and \$597,700, respectively, that were deducted from contributed surplus.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***8. SHARE CAPITAL: (continued)**

b. Issued and Outstanding: (continued)

Share Options

The Company has an incentive stock 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 June 30, 2018, 2017, and 2016 and changes during those years is presented in the table below:

	Options Outstanding	Weighted Average Exercise Price
Balance, June 30, 2016	133,334	\$ 1.95
Cancelled, February 2017	(133,334)	(\$ 1.95)
Balance, June 30, 2017	—	—
Balance, June 30, 2018	—	—

\$66,570 of share-based compensation was charged to operations in fiscal 2017 for stock options vested using the Black-Scholes option pricing model using the current assumptions of risk-free interest rate of 0.54%, expected life of 1.75 – 2.75 years, forfeiture rate – 0%, expected volatility of 371% - 407%, and a dividend rate of 0%.

As of June 30, 2018, there were no stock options outstanding and exercisable with all of the previously issued options being cancelled in February 2017 in the prior fiscal year ended June 30, 2017.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***9. DEBTS:***a. Convertible debentures*

The following table summarized outstanding convertible debentures:

Balance, June 30, 2015	-
Issuance of 18 month convertible debenture (ii)	800,318
Issuance of 18 month convertible debenture (iii)	653,464
Accretion capitalized	5,786
Balance, June 30, 2016	\$1,459,568
Accretion capitalized	31,193
Balance, June 30, 2017	\$1,490,761
Accretion capitalized	10,145
Transfer to demand loan	(674,696)
Balance, June 30, 2018	\$ 826,210

- i. Eighteen month convertible debt: On February 19, 2016 the Company issued \$827,681 of convertible debt to Decanex, Inc., the Company's former general service provider as a part of debt settlement agreement. The debt matures eighteen months from the date of issuance and maybe converted by the debtholder into common shares of the company at a price of \$0.05 per common share. Interest is payable on this debt at an annual rate equal to ten percent (10%), compounded on an annual basis. The balance owing and convertible is \$826,210.

An equity component of the debt, \$25,892, has been reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity. The equity component of this debt was initially measured using the residual value method and is not re-measured at each reporting period. The balance, including accretion is \$826,210 as of June 30, 2018 (2017: \$823,621) and subject to a stand-still with no further interest accruals pending settlement.

- ii. Eighteen month convertible debt: During the year, Sydney Au, CEO and Director, loaned the Company \$674,697 that is non-interest bearing and has not terms of repayment. On June 30, 2016, the Company signed a \$674,697 convertible debt agreement with Mr. Au that has a term of 18 months, bears interest at 10% per annum compounded annually, and has a conversion feature of \$0.05 per common share. Mr. Au may, within the specified time period, convert his debt at his sole discretion. \$21,233 was initially reduced from the carrying value of the convertible debt at inception and recorded in shareholders' equity as an equity component of the debt. The equity component of \$21,233 was subsequently credited to contributed surplus on December 31, 2017 when Mr. Au agreed to transition his convertible debt to a standard loan bearing interest at 10% compounded per annum. The debt was paid off in full in January 2018.

Total interest payable of \$223,687 (2017: \$182,470) is due on the Decanex convertible note and interest on former convertible note owing to Mr. Au as at June 30, 2018. (see Note 12)

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***9. DEBTS: (continued)**Loan Receivable

The Company has an unsecured loan receivable of \$100,000 (2017: \$nil) that is non interest-bearing and due upon demand from a non-related party.

Unsecured loans payable:

The following table summarizes unsecured demand loans for the years ended June 30, 2018 and 2017:

	Balance, June 30, 2016 \$	Debt Conversion \$	Loan Repayments \$	Loan Proceeds \$	Balance, June 30, 2017 \$
Amounts owing to third parties (i)	641,205	(150,000)	(45,400)	528,798	974,603
Amounts owing to related parties (ii)	255,272	—	(732,632)	988,900	511,540
Total	896,477	(150,000)	(778,032)	1,517,698	1,486,143

	Balance, June 30, 2017 \$	Debt Conversion \$	Loan Repayments \$	Loan Proceeds* \$	Balance, June 30, 2018 \$
Amounts owing to third parties (i)	974,603	(814,600)	(54,655)	336,235	441,583
Amounts owing to related parties (ii)	511,540	(240,000)	(821,508)	1,331,584	781,616
Total	1,486,143	(1,054,600)	(876,163)	1,667,819	1,223,199

- (i) Amounts owing to third parties are non interest bearing with no specific terms of repayment.
- (ii) Amounts owing to related parties are non interest bearing with no specific terms of repayment. (see Note 12)

*includes \$674,696 transferred from convertible debt to demand loan as agreed between the Company and Syd Au, director on December 31, 2017. (see Note 12)

On June 22, 2017, the Company signed debt purchase agreements with three non-related parties to sell a total of \$975,000 in loans receivable from C&C Cosmeceuticals Corp. (former subsidiary of the Company) for \$3 each that resulted in a loss on sale of \$974,997.

10. 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. 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 and loan 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. Loan receivable is due from a non-related party and the Company continues to negotiate repayment terms.

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 June 30, 2018, the Company had a cash balance of \$449,815 (2017: \$1,498) and accounts payable and accrued liabilities of \$304,399 (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. The Company has a working capital deficit of \$2,086,019 (2017: \$3,438,226).

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.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT: (continued)*e. Foreign exchange risk*

The Company's functional and reporting currency is the Canadian dollar and some business and purchases are transacted in United States dollars (USD). As a result, the Company is exposed to USD foreign currency risk that is not hedged against. As a result, the Company may incur material and uncontrolled losses on USD foreign exchange.

11. 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. 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 June 30, 2017 and 2016:

	June 30, 2018		June 30, 2017	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss				
Cash and cash equivalents	\$ 449,815	—	\$ 1,498	—
Marketable securities	\$ 3,666	—	\$ 1	—

The methods of measuring each of these financial assets and liabilities have not changed during the past year. 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.

12. RELATED PARTY TRANSACTIONS:

During the fiscal year ended June 30, 2018, the following related party transactions occurred:

- (a) On December 21, 2017, Ron Ozols, Director, was repaid \$15,000 in demand loans through the Company's debt financing for share units. Mr. Ozols received 100,000 common shares and 100,000 5-year share purchase warrants exercisable at \$0.25 under the debt settlement.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS: (continued)

- (b) On December 21, 2017, Faisal Manji, CFO, participated in the Company's equity financing for share units. Mr. Manji subscribed for 20,000 common shares and 20,000 5-year share purchase warrants exercisable at \$0.25 for gross proceeds of \$3,000. The Company received the proceeds from Mr. Manji on February 28, 2018.
- (c) Sydney Au, CEO and Director, loaned \$71,323 and was repaid \$840,838 and \$4,743 of interest on demand loans with the Company.
- (d) The Company was loaned \$32,500 by 918368 B.C. Ltd., a company owned and controlled by Syd Au, director (Chairman).
- (e) On December 31, 2017, Sydney Au, CEO and director, agreed to transition his convertible debt to an interest-bearing loan, with 10% interest compounded annually that matures on December 31, 2018. The loan was repaid in January 2018.
- (f) On February 21, 2018, the Board of Directors ratified a new compensation plan for executive management. As a first act of the board under the new compensation structure, directors ratified an executive management agreement for Sydney Au, director (Chairman) and former CEO retroactive to January 1, 2018.
- (g) Key management personnel compensation:
 - i. included in management fees is \$135,000 (2017: \$90,000) for compensation payable to Sydney Au, director (Chairman) for fiscal 2018;
 - ii. included in share-based compensation is \$Nil (2017: \$33,263) related to the fair value of options vested in fiscal 2017 to officers and directors.
- (h) The Company was advanced \$15,162 for listing and other operating expenses through vendor payments made by Sydney Au, director, on behalf of the Company. The Company repaid \$14,153 in advances made to the Company by Mr. Au.
- (i) The Company accrued interest payable of \$34,485 (2017: \$68,407) owing to Sydney Au, Director (Chairman) for the convertible note payable that was converted to a demand loan on December 31, 2017 and repaid in full in January 2018. (Note 9)
- (j) The Company accrued interest payable of \$83,769 owing to Decanex, Inc. for its convertible note payable. Decanex is controlled and operated by a major shareholder of the Company. (Note 9)
- (k) The Company has \$224,169 (2017: \$199,169) recorded in accrued liabilities due to Decanex, Inc., the Company's operator under its General Services Agreement for services fees due. The Company and Decanex are on an agreed stand-still and no further fees or commitments are being accrued pending settlement.
- (l) Syd Au, director, settled \$225,000 in demand loans payable for 1,500,000 share units at \$0.15 with \$0.25 5-year whole-warrant as part of the December 2017 debt offering.

On April 3, 2018, the Company completed its arrangement with Monterey Minerals Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. The effective date for the Arrangement was set as June 2014, when Monterey Minerals Corp. ceased to be a wholly-owned subsidiary of the Company. On May 4, 2018, the Company completed its arrangement with Rotonda Ventures Corp. under its 2014 Plan of Arrangement and 10,594,421 Class A preferred shares were mandatorily redeemed. The effective date for the Arrangement was set as June 2014, when Rotonda Ventures Corp. ceased to be a wholly-owned subsidiary of the Company.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

*(Expressed in Canadian dollars)***12. RELATED PARTY TRANSACTIONS: (continued)**

See Notes 8 and 9 for details of shares and warrants issued and debt settlements, respectively, regarding the December 21, 2017 Company offering. These transactions above 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.

13. NON-CASH ACTIVITIES:

- a) On December 21, 2017, debt holders settled \$1,054,600 of demand loans payable through the issuance of share units at \$0.15 with a \$0.25 5-year whole-warrant. (see Note 9)
- b) See Notes 8, 9, and 16 for details of other non-cash share transactions in fiscal 2018.
- c) On March 23, 2017, a debt holder converted \$150,000 of debt for the exercise of 100,000 warrants at \$1.50 per share.
- d) On May 15, 2017, the Company received \$1,136,000 in intangibles related to TULIP™ in exchange for \$1,136,000 in loans payable to its subsidiary C&C in conjunction with planned transactions for the spin-out of C&C that closed on May 24, 2017. The \$1,136,000 in loans payable was forgiveness pursuant to a debt forgiveness agreement between the Company and its subsidiaries. All TULIP™ IP was written off due to impairment at June 30, 2017.

14. 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	936,149

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

	June 30, 2018 \$	June 30, 2017 \$
Loss before income taxes	(936,149)	(36,936,292)
Effective tax rate	27.0%	26.0%
Expected income tax (recovery)	(252,760)	(9,603,436)
Tax effects of:		
Non-deductible expenses and other deductions	—	2,061,550
Change in unrecognized deferred income tax assets	252,760	7,541,886
Deferred income tax recovery	—	—

EVITRADE Health Systems Corp.

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*(Expressed in Canadian dollars)***14. INCOME TAXES: (continued)**

The significant components of the Company's deferred income tax assets not recognized are as follows:

	June 30, 2018 \$	June 30, 2017 \$
Substantively enacted tax rate	27.0%	26.0%
Deferred income tax assets:		
Non-capital losses	11,355,525	11,102,765
Eligible capital expenditures	—	236,991
Prior period adjustments	—	—
Net unrecognized deferred income tax assets	11,355,525	11,339,756

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.

15. COMMITMENTS:

On May 31, 2018, the Company transferred the TULIP IP to Automated Techno Medical Corp. (formerly 1109871 B.C. Ltd.) under an asset transfer agreement for \$10 and other good and valuable consideration pursuant to the 2017 Plan of Arrangement. (See Note 16)

The Company and Decanex are still under negotiations of the stand-still and final settlement of the convertible debt along with termination the GSA should occur on or before November 30, 2018.

As part of the stand-still, the parties mutually agreed that the Company has no further commitments payable under the GSA, exclusive of the convertible debenture that is under negotiation. (see Note 9)

16. PLANS OF ARRANGEMENT:**2014 Plan of Arrangement**

The Company completed the final two subsidiaries spin outs with all outstanding Series A Preferred share conversions completed for its 2014 court approved Plan of Arrangement (2014-POA) on April 3, 2018 (Monterey Minerals Corp.) and May 4, 2018 (Rotonda Ventures Corp.). Each transaction represents \$1,000 fair value in convertible preferred shares, and related letters of intent for businesses in each former subsidiary company that ceased to be subsidiaries of the Company on 2014 effective dates for those arrangements. The Company has \$nil (2017: \$2,000) in remaining deposits related to the spin outs under the 2014-POA as of June 30, 2018.

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16. PLANS OF ARRANGEMENT: (continued)**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 spinout of Eviana Health Corporation ("Eviana"), formerly C&C Cosmeceuticals Corp., and four newly formed subsidiary corporations Ecovatec Health Solutions Inc. (formerly 1109863 B.C. Ltd.), 1109858 B.C. Ltd., 1109870 B.C. Ltd., Automated Techno Medical Corp. (formerly 1109871 B.C. Ltd.) to facilitate other contemplated spin-out transactions.

On April 7, 2017, the Company entered into a Share Exchange Agreement with 2554191 Ontario, Inc. ("255ON"). Pursuant to the agreement, the Company issued 3,500,000 common shares to shareholders of 255ON to acquire 100% ownership as a wholly-owned subsidiary of Eviana. The fair value of shares issued was \$3.14 per share for total transaction value of \$10,990,000 that closed on April 28, 2017.

Of the \$10,990,000 acquisition FMV, Eviana expensed \$10,070,009 as transaction costs was expensed in conjunction with the planned going-public transaction through 255ON pursuant to the 2017 Plan of Arrangement with the remaining \$919,991 recorded to investment in 255ON.

The Company recorded \$5,000 to deposits in regards to convertible preferred share commitment in regards to Series A preferred shares to be exchanged under the 2017-POA for fiscal 2017. A \$1,000 deposit was allocated with the Eviana spinout (divesting) from the Company on May 24, 2017. The Company has \$4,000 (2017: \$4,000) in remaining deposits related to contemplated spin outs under the 2017-POA as of June 30, 2018.

On May 24, 2017, the Company completed the spinout of C&C and recorded a gain of \$284,900 on net assets and \$7,964,000 write down of its investment in C&C, along with derecognition of \$302,537 in original share capital when C&C acquired the Company in a reverse-take-over in 2013.

The Company calculated a gain on the C&C spinout transaction is as follows:

FMV of net assets disposed	\$(285,900)
Deposit due	<u>1,000</u>
Gain on spinout of C&C	<u>\$ 284,900</u>

The Company anticipates completing the arrangements for other spin outs in fiscal 2019.

The Company has disclosed the assets, pre-tax income and cash flow related to the discontinued operations of Eviana and 255ON separately in these financial statements and has similarly reclassified prior year amounts to show the effect of the sale on the Company's financial statements.

No assets were classified as held for sale as the Eviana spin-out as it was pursuant to the Company's 2017 Plans of Arrangement and contemplation, identification, and completion of the transaction occurred in the same fiscal year with all transaction details and amounts agreed between parties in Q4 of fiscal 2017. All other arrangements have no determinable fair value of letters of intent and as such there are no assets and respective amounts classified as held for sale.

EVITRADE Health Systems Corp.

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*(Expressed in Canadian dollars)***17. DISCONTINUED OPERATIONS:**

On May 24, 2017, the Company completed the spin-out of Eviana, including its wholly-owned subsidiary 2554191 Ontario, Inc.

No assets were classified as held for sale as the Eviana spin-out was pursuant to the Company's March 2017 Plan of Arrangement and contemplation, identification, and completion of the transaction occurred in the same fiscal year with all transaction details and amounts agreed between parties in Q4 of fiscal 2017.

Pre-tax Loss	June 30, 2018	June 30, 2017
Operating expenses	—	3,500
Other items:		
Transaction costs	—	10,070,009
Impairment of intangible properties	—	144,000
Pre-tax loss from discontinued operations	—	10,217,509

18. PENDING ACQUISITIONS, LETTERS OF INTENT, AND JOINT VENTURE:

On April 7, 2018, the Company signed a non-binding joint venture and operating agreement. The JV agreement is currently being finalized in a definitive agreement that will result in the Company having a 30 percent interest in the JV with two private corporations, to develop intellectual property for an excipient delivery system for pharmaceutical and nutraceutical applications, in exchange for the 10 million common shares reserved for the transaction and the Company investing a minimum of \$2,156,000 in working capital through March 1, 2019 and an additional \$1,682,000 from May 1, 2019 through September 2019, for total of \$3,838,000 in working capital over those periods as the Company's JV contributions. As of June 30, 2018, the Company had paid a \$100,000 deposit for this transaction.

On May 25, 2018, the Company entered into a binding letter of intent to acquire Cantech Molecular Research Inc., a BC producer of true homozygotic plants with a highly select and consistent set of traits, in exchange for 5 million common shares with a fair market value of \$0.35 per share or \$1,750,000 to acquire CMR as a wholly-owned subsidiary of the Company with a planned spin out to become a separate reporting issuer.

The Company would retain 49% of the CMR spin out upon completion of the proposed transaction. As of June 30, 2018 and to date, the Company is working through due-diligence and has not closed on the transaction. The Company has paid a total of \$15,000 in deposits towards this acquisition.

On June 11, 2018, the Company signed a letter of intent Veri-Medical Systems ("VeriMed") to potentially acquire the Company which is involved in developing a blockchain based "seed-to-sale" protocol focussed on enhancing the integrity of the sale of Hemp based products. The Company continues to negotiate terms to acquire VeriMed as of June 30, 2018 and to date with the intent of reaching final terms and closing on this transaction in November 2018.

EVITRADE Health Systems Corp.

Notes to the Consolidated Financial Statements

June 30, 2018

(Expressed in Canadian dollars)

18. PENDING ACQUISITIONS, LETTERS OF INTENT, AND JOINT VENTURE:

On June 22, 2018, the Company signed a letter of Intent to collaborate with West Coast Medical Solutions Ltd. ("WCMS"). WCMS together with Ecovita Health Corporation (formerly Ecovita Packaging Ltd.) ("Ecovita") intended to undertake a project to apply to become a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. As of June 30, 2018, the Company was continuing its due diligence regarding the potential transaction with no specific terms or definitive agreement reached. (see Note 19)

19. SUBSEQUENT EVENTS:Proposed Acquisition #1 (pending)

On August 23, 2018, the Company announced an LOI to acquire Tree Chest Safety Corp. (TREE). TREE manufactures and markets lockable air tight storage compartments specifically designed to store and preserve products while preventing children from accessing the contents. Pursuant to the LOI with TREE, Evitrade has agreed to negotiate with TREE to complete a transaction (the "Proposed Transaction") whereby Evitrade will acquire all of the outstanding shares of TREE for a combination of cash and shares. The result of the Proposed Transaction would be that TREE would become a wholly-owned subsidiary of Evitrade.

Offering

On August 30, 2018, the Company closed on \$3,000,001 in subscription funds for the non-brokered private placement at \$0.30 per common share and issued a total of 10,000,003 common shares for this offering.

Broker Engagement

On October 5, 2018, the Company issued 1,000,000 common shares with a fair value of \$0.40 and total consideration of \$400,000 to Haywood Securities for past services.

Acquisition #2 (closed)

On October 16, 2018, the Company announced closing of the acquisition of Western Agri Supply Solutions Corp. ("WASS") that specializes in industrial hemp biomass supply. Pursuant to the agreement, the Company will issue 20,000,000 at a fair value of \$0.30 per share and total consideration of \$6,000,000 to acquire all of the issued and outstanding common shares of WASS. As a result, WASS is now a wholly-owned subsidiary of Evitrade.

On October 16, 2018, the Company issued 35,000 common shares to Faisal Manji, CFO to settled \$12,250 owing for past services.

Acquisition #3 (closed)

On October 19, 2018, the Company closed on the acquisition of Hemp Extraction Technology Corp. ("HETC"), which is in the business and technology of industrial hemp extraction, for total consideration of \$7,000,000. Pursuant to the acquisition agreement, Evitrade acquired all of the issued and outstanding common shares of HETC in exchange for an aggregate of 23,333,333 common shares of Evitrade issued at the deemed price of \$0.30 per share to the former holders of HETC common shares. As a result, HETC is now a wholly-owned subsidiary of Evitrade.

19. SUBSEQUENT EVENTS: (continued)

Acquisition #4 (pending)

The Company has terminated its June 22, 2018 letter of intent with WCMS and since September 2018 has been in discussions with Ecovita regarding applying for and establishing joint-ownership in a Licensed Dealer (LD) as issued by Health Canada for Class A precursors. The Company anticipates finalizing terms with Ecovita and closing on the transaction in November 2018. The LD will focus on uses regarding medical cannabis, tetrahydrocannabinol ("THC") and cannabidiol (CBD).

Rectification Agreement - Artillery

On October 29, 2018, the Company signed a rectification agreement with Artillery Holding Inc. (dba Artillery Labs) ("Artillery") to terminate the Company's planned acquisition of Artillery, proposed a new spin out transaction with fees, agree on terms for \$117,690 in outstanding debts payable by Artillery to the Company, and assignment of \$100,000 USD in third-party debt owing by Artillery.

Pursuant to the rectification agreement, the Company allocated 450,000 common shares with a fair value of \$0.30 per share or \$135,000 from the Artillery escrow to acquire \$100,000 USD of demand loans owing by Artillery. The remaining 4,550,000 common shares of the Company with a fair value of \$0.35 per share currently in escrow for the Artillery acquisition were returned to treasury for cancellation in conjunction with the rectification. As at June 30, 2018, the Company had paid a total of \$115,095 in deposits towards the acquisition.

As part of this Agreement, the Company entered into a new letter of intent (LOI) with Artillery to conduct a proposed transaction wherein a newly incorporated wholly-owned subsidiary ("Newco") would enter into a plan of arrangement with the Company wherein Newco will be spun out (divested) and subsequently conduct a three-cornered amalgamation or other business combination with Artillery for it complete a going-public transaction. Under the agreement, the Company will be entitled to repayment of the Artillery demand loans plus accrued interest and \$55,000 administrative and filing services for the restructuring either through cash and/or shares in the Newco-Artillery combined entity after the completion of the arrangement as mutually agreed between the parties.