

Network Life Sciences Inc.
(formerly Network Oncology Inc.)

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Network Life Sciences Inc. (formerly Network Oncology Inc.)

We have audited the accompanying consolidated financial statements of Network Life Sciences Inc. (formerly Network Oncology Inc.) which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 audits 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 our 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, we consider 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Network Life Sciences Inc. as at December 31, 2015 and 2014, and its financial performance and cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Network Life Sciences Inc. (formerly Network Oncology Inc.) to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 4, 2016

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Consolidated Statements of Financial Position
As at December 31, 2015 and 2014
(Expressed in Canadian dollars)

	Note	2015	2014
		\$	\$
ASSETS			
Current Assets			
Cash		737	35,156
Deposits on Acquisition Agreement	4	-	175,000
Intangible assets	4	1	-
		738	210,156
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	4 & 9	909,708	45,880
Short-term loans	5	107,486	-
		1,017,194	45,880
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6	2,265,100	100
Subscriptions received	6	-	250,000
Reserves	6	221,914	-
Deficit		(3,503,470)	(85,824)
		(1,016,456)	164,276
		738	210,156

Nature of operations and going concern	1
Subsequent events	11

Approved and authorized for issuance by the Board of Directors on May 4, 2016:

"William Thomas"
Director

"Manfred G. von Nostitz"
Director

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

	Note	2015	2014
		\$	\$
Expenses			
Consulting	9	163,496	24,679
Development costs	4	661,578	-
Foreign exchange		17,144	-
Interest expense	5	6,509	-
Investor relations		21,003	-
Office and miscellaneous		28,802	10,254
Professional fees		24,773	48,366
Regulatory fees		86,517	2,525
Share-based compensation	6	221,914	-
Travel		12,772	-
Loss before other expense		(1,244,508)	(85,824)
Impairment of inventory		(5,689)	-
Impairment of intangible assets	4	(2,167,449)	-
Net loss and comprehensive loss		(3,417,646)	(85,824)
Basic and diluted loss per common share		(0.14)	(0.01)
Weighted average number of common shares outstanding		24,183,897	12,003,082

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

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital						Total
	Note	Number of Shares (Note 6)	Amount	Subscription receivable	Reserves	Accumulated Deficit	
			\$	\$	\$	\$	\$
Balance, December 31, 2013		12,003,058	100	-	-	-	100
Share subscription received		-	-	250,000	-	-	250,000
Comprehensive loss		-	-	-	-	(85,824)	(85,824)
Balance, December 31, 2014		12,003,058	100	250,000	-	(85,824)	164,276
Shares issued for cash	6	4,166,667	250,000	(250,000)	-	-	-
Shares issued to ROL	4 & 6	5,666,667	340,000	-	-	-	340,000
Shares issued for bioLytical	4 & 6	5,000,000	1,600,000	-	-	-	1,600,000
Exercise of warrant	6	500,000	75,000	-	-	-	75,000
Share-based compensation	6	-	-	-	221,914	-	221,914
Comprehensive loss		-	-	-	-	(3,417,646)	(3,417,646)
Balance, December 31, 2015		27,336,392	2,265,100	-	221,914	(3,503,470)	(1,016,456)

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

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

	2015	2014
	\$	\$
Cash flow from operating activities		
Net loss	(3,417,646)	(85,824)
Non-cash items:		-
Share-based compensation	221,914	-
Impairment on inventory	5,689	-
Impairment on intangible assets	2,167,449	-
Change in non-cash working capital components:		
Accounts payable and accrued liabilities	637,075	45,880
Cash used in operations activities	(385,519)	(39,944)
Investing activity		
Deposit on acquisition agreement	175,000	(175,000)
Cash used in investing activity	175,000	(175,000)
Financing activities		
Share subscriptions received	-	250,000
Exercise of warrants	75,000	
Proceeds of short-term loans	106,300	-
Repayment of short-term loans	(5,200)	-
Cash provided by financing activities	176,100	250,000
Increase (decrease) in cash	(34,419)	35,056
Cash, beginning of year	35,156	100
Cash, ending of year	737	35,156
Cash paid for interest expense	123	-
Cash paid for income taxes	-	-

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

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN8

Network Life Sciences Inc. (formerly Network Oncology Inc.) ("NOI", or the "Company"), was incorporated under the Business Corporations Act in British Columbia on September 19, 2013 under the name of Organach Beverage Acquisition Corp. On August 12, 2014, the Company changed its name to Network Oncology Inc. and on June 17, 2015, the name changed to Network Life Sciences Inc. On January 16, 2015, the Company was approved for listing on the Canadian Securities Exchange and trades under the stock symbol "NOI". The address of the registered office is Suite 605 – 815 Hornby Street, Vancouver, British Columbia, Canada V6Z 2E6.

The Company was initially formed as a subsidiary of Web Watcher Systems Ltd. ("Web Watcher") for the purpose of developing the letter of intent with WULU Beverage Co. ("WULU") dated June 27, 2013 to distribute quality organic and fair trade coffees, glacier drinking water, and carbonated water manufactured by WULU. The Company entered into to a Plan of Arrangement (the "Plan of Arrangement") with Web Watcher Systems and WULU dated October 23, 2013. This Letter of Intent was cancelled by WULU on March 21, 2014.

On May 12, 2014, the Company entered into a Supply Agreement Sale and Assignment (the "Acquisition Agreement") with Resolute Oncology Limited ("ROL"), an Ireland company. The Company is in the process of commencing operations as an emerging specialty pharmaceutical company working with ROL's core portfolio of oncology-targeted generic pharmaceuticals, which address a market comprised of up to 50% of new cancer patients in the European Union. The Company intends to focus on the acquisition and commercialization of proven, and thus low-risk, generic pharmaceutical oncology based products that provide a cost effective response to unmet needs in the market, specifically Germany and other major European countries, with possible expansion to the United States.

On June 11, 2015, the Company entered into a license agreement with bioLytical Laboratories, Inc. ("bioLytical") regarding detection of the Ebola virus. See also Note 4.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. At December 31, 2015, the Company incurred a net loss of \$3,417,646 (2014 - \$85,824) and had an accumulated deficit of \$3,503,470 (2014 - \$85,824) which has been funded primarily by the issuance of equity and loans from related parties. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to carry out its business plan. If the Company is unable to fund its future plan, its business, financial condition or results of operations could be materially and adversely affected. The success of the Company depends on its ability to profitably penetrate its target market with its new products on a sustainable basis. The Company has never generated revenue, cash flows or profits from operations.

The Company's ability to launch its operations as intended is dependent on its ability to generate revenue and raise capital sufficient to cover its marketing and other costs. All of these factors raise significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

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

These consolidated financial statements are presented in Canadian dollars, which is the Company’s reporting and functional currency. The functional currency of the Company’s wholly-owned subsidiary Emerald Oncology Limited is the EURO (€). These consolidated financial statements are prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss (“FVTPL”) as described in Note 3, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Emerald Oncology Limited (“Emerald”) which was incorporated on September 29, 2014 in the jurisdiction of Ireland. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company’s consolidated financial statements. As at December 31, 2015 and 2014, Emerald was inactive.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position 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:

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

i) Impairment

At the end of each reporting period, the Company's intangible assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the assets being considered. The amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

ii) Fair value of financial instruments

Management uses valuation techniques, in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility may vary from the actual results that would be achieved in an arm's length transaction at the reporting date. The assessment of the timing and extent of impairment of intangible assets involves both significant judgements by management about the current and future prospects for the intangible assets as well as estimates about the factors used to quantify the extent of any impairment that is recognized.

iii) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

iv) Acquisition of assets

The assessment of whether the Acquisition Agreement should be accounted and disclosed as an acquisition of assets or acquisition of a business involved significant judgement by management of the Company.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Finite Life Intangible Assets

Amortization of finite life intangible assets is based on the useful lives and residual values and is reviewed at least annually. Adjustments, if necessary, are recognized prospectively.

Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates in effect at the dates of the transactions. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

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 can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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.

Shared-based payments

Pursuant to the Company's option plan ("Option Plan"), the Company may grant stock options to directors, officers and employees for the purchase of the capital stock of the Company. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors 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.

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Notes to Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Shared-based payments (continued)

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. 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. A total of 2,100,000 options were granted as of December 31, 2015. Refer to Note 6(d).

Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the consolidated 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. 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.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (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. The number of additional shares is calculated by assuming that outstanding stock options, warrants and convertible instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

The number of shares shown in the consolidated statement of equity in the comparative year ended December 31, 2014 has been retrospectively adjusted to reflect the replacement of the original 100 shares issued with the 12,003,802 shares issued on the reorganization of the Company's share capital without a change in the resources available for The Company.

Financial instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments: held to maturity, loans and receivables, fair value through profit or loss ("FVTPL"), available-for-sale, FVTPL liabilities or other liabilities.

FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income (loss) during the period.

Held to maturity assets, loans and receivable, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale assets are subsequently measured at fair value with the change in fair value recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in active markets and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Accounts payable	Other liabilities
Short-term loans	Other liabilities

The three levels of the fair value hierarchy are as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or models inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Cash is measured based on level 1 criteria. Accounts payable and short-term loans are measured based on level 3 criteria.

Impairment

i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

ii) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against the related financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders 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 measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income (loss) are accumulated in a separate component of Shareholders' Equity as Accumulated Other Comprehensive Income (Loss). The Company has not had Other Comprehensive Income (Loss) since inception.

Segment reporting

A reportable segment, as defined by 'IFRS 8 Operating Segments', is a distinguishable business or geographical component of the Company, which is subject to risks and rewards that are different from those of other segments. The Company considers that it has only one reportable segment, being the pharmaceutical distribution business.

Changes in accounting policies

The Company adopted the following accounting policies effective January 1, 2015:

IFRIC 21 Levies - In May 2013, the IASB issued IFRIC 21, an interpretation of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy.

IAS 32 - Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IAS 36 *Impairment of Assets* - In May 2013, the IASB issued amendments to IAS 36 which restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal.

Future changes in accounting policies

The following standard will be effective for annual periods beginning on or after January 1, 2017:

IAS 1 – *Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

Future changes in accounting policies (continued)

IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 – *Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2015, and have not been applied in preparing these consolidated financial statements.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
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4. INTANGIBLE ASSET

The intangible asset comprises the Supply Agreement with Resolute Oncology Limited (“ROL”) and Licensing Agreement with bioLytical Laboratories Inc. (“bioLytical”) as follow:

	License Rights acquired from ROL	License from bioLytical	Total
	\$	\$	\$
Balance, January 1, 2015		-	
Acquisitions made for consideration comprising:			
Cash	50,000	307,925	357,925
Share issuances	340,000	1,600,000	1,940,000
Liabilities assumed	177,450	-	177,450
	567,450	1,907,925	2,475,375
Subsequent impairment:			
Impairment of rights	567,449	1,907,925	2,475,375
Cancellation of obligations	-	(307,925)	(307,925)
Impairment	567,449	1,600,000	2,167,449
Balance, December 31, 2015	1	-	1

License and Marketing Rights and Supply Agreement with ROL (“Acquisition Agreement”)

On May 12, 2014, the Company entered into an Acquisition Agreement with ROL to acquire certain assets in exchange for \$50,000 in cash (paid in April 2014), issuance of 5,000,000 common shares, assuming \$177,450 (€130,000) in obligation and the payment of a 3% net sales royalty. The Acquisition Agreement also contained a condition requiring the company to seek continued fund raising as part of the private placement. On July 31, 2014, the Acquisition Agreement was amended to change the closing date to the date that the shares of the Company are approved for trading on the Canadian Stock Exchange and to increase the number of shares to be issued to 5,666,667 common shares (issued in January 2015). The fair value of the common shares issued was determined to be \$340,000, or \$0.06 per share, based on the closing trade price of the shares at the time of issuance. As at December 31, 2015, of the liabilities assumed of \$177,450, the Company still has a balance of \$165,319 (€110,000) that remains outstanding, which has been recorded in accounts payable.

The assets acquired by the Company under the Acquisition Agreement comprised the following product license rights:

1. The non-exclusive right to use the dossier and know-how associated with Docetaxel concentrate, to obtain marketing authorizations and to sell Docetaxel based products in certain countries in Europe.
2. The non-exclusive right to use the dossier and know-how associated with Paclitaxel concentrate, to obtain marketing authorizations and to sell Paclitaxel based products in certain countries in Europe.
3. The non-exclusive right to use the dossier and know-how associated with Oxaliplatin concentrate, to obtain marketing authorizations and to sell Oxaliplatin based products in certain countries in Europe.

Network Life Sciences Inc. (formerly Network Oncology Inc.)
Notes to Consolidated Financial Statements
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4. INTANGIBLE ASSETS (continued)

License and Marketing Rights and Supply Agreement with ROL (“Acquisition Agreement”)
(continued)

4. The non-exclusive and non-transferable right to use registration documentation for zoledronic acid 4 mg/5 ml vial to obtain one marketing authorization in Spain, the United Kingdom, Germany, and Italy and two marketing authorizations in France, for the purpose of selling, marketing, and distributing the Zoledronic Acid based products in the territory. The initial term of this agreement is 5 years.

During the year ended December 31, 2015, the Company incurred \$661,578 (2014 - \$nil) in development costs for the various rights in the Acquisition Agreement, of which \$431,908 remained outstanding and was included in accounts payable as at December 31, 2015 (2014 - \$nil).

Due to the uncertainty of the future economic benefits of these rights, at December 31, 2015, management determined to write down the intangible assets to \$1 in accordance to IAS 38 *Intangible Assets*. However, the Company is still liable for the remaining liabilities assumed from ROL.

Licensing Agreement with bioLytical Laboratories Inc.

On June 11, 2015, the Company entered into a twenty year license agreement with bioLytical Laboratories Inc. (“bioLytical”) for an exclusive worldwide license to market and sell a rapid Ebola testing kit for a consideration of \$307,925 (US\$250,000) in cash and the issuance of 5,000,000 common shares (issued in June 2015). The fair value of the common shares issued was determined to be \$1,600,000, or \$0.32 per share, based on the closing trade price of the shares at the time of issuance. Under the licensing agreement, the Company is also required to pay a royalty payment to bioLytical based on the net sales of the Licensed Product. The company recorded the license from bioLytical as a finite life intangible asset upon issuing of the shares and recognizing the US \$250,000 obligation.

As at December 31, 2015, although the Company had issued the 5,000,000 common shares, the Company did not pay the cash consideration of US\$250,000. As a result, bioLytical exercised its right to terminate the licensing agreement on January 9, 2016. The license was fully impaired as at December 31, 2015 and the Company has no further obligation in the cash payment for this license. The Company also recognized the recovery of the obligation related to the license termination.

5. SHORT-TERM LOANS

During the year ended December 31, 2015, the Company entered into three unsecured demand loans by issuing promissory notes for a total of \$101,100. The loans bear interest at 8% per annum and are due on demand. During the year ended December 31, 2015, interest expense in the amount of \$6,509 was recorded (2014 - \$nil), of which \$6,386 was also included in the short-term loans balance (2014 - \$nil).

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6. SHARE CAPITAL

(a) Authorized: unlimited common shares without par value

(b) Issued and Outstanding:

On January 8, 2015 the Company issued 12,003,058 common shares under the plan of arrangement between the Company and Web Watcher Systems Ltd. which was approved by the shareholders of Web Watcher Systems Ltd. on December 19, 2013 and the Supreme Court of British Columbia on January 7, 2014.

On January 8, 2015 the Company completed its private placement and issued 4,166,667 units at \$0.06 per unit for proceeds of \$250,000, which had been received in 2014. Each unit comprised of one common share and one common share purchase warrant exercisable at \$0.15 per unit until January 8, 2016. No value has been allocated to the warrants under the residual method.

On January 8, 2015, the Company issued 5,666,667 common shares in accordance with the Acquisition Agreement with ROL for a value of \$340,000 (see also Note 4). Of the 5,666,667 common shares, 833,333 common shares were issued to officers and directors of the Company. The fair value of the common shares was determined at \$0.06 per share based on the concurrent private placement mentioned above.

On June 6, 2015, the Company issued 5,000,000 common shares in accordance with the license agreement with bioLytical (Note 4). The fair value of the common shares was determined at \$0.32 per share based on the closing trading price of the shares at the time of the issuance a total of \$1,600,000.

On June 25, 2015, the Company consolidated its outstanding shares on the basis of one (new) post consolidation share for each three (old) pre-consolidation shares. Total shares issued and outstanding post-consolidation was 26,836,415. The outstanding shares, weighted average outstanding shares and loss per share information have been retrospectively adjusted to reflect this change. In addition, all share issuances, options and warrant transactions have been retrospectively adjusted to reflect the changes.

On October 8, 2015, 500,000 warrants were exercised for proceeds of \$75,000.

(c) Escrow Shares:

Pursuant to the escrow agreements in October 2015, the 4,166,667 common shares issued pursuant to the private placement are subject to escrow restrictions, release 10% on listing and 15% every six-months commencing on January 16, 2015. At December 31, 2015, 3,125,000 common shares remain in escrow.

(d) Stock Options:

The Company has adopted 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 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.

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6. SHARE CAPITAL (continued)

(d) Stock Options (continued):

On August 17, 2015, the Company granted incentive stock options, exercisable to purchase up to an aggregate of 2,100,000 common shares of the Company to certain directors, officers, employees, and consultants of the Company. All options were vested immediately. The options are exercisable at a price of \$0.25 per common share for a two year term. The weighted average fair value of stock option was determined using the Black-Scholes option pricing model using the following assumptions: expected life of stock option of 2 years, volatility of 120%, forfeiture rate of 0%, annual rate of dividends of 0% and a risk free rate of 0.38%. Share-based compensation of \$221,914 was recorded for the year ended December 31, 2015. Fair value for each option was \$0.11 per share. As at December 31, 2015, there were 2,100,000 exercisable options outstanding and the weighted average life remaining of these options was 1.63 years.

(e) Warrants:

As part of the January 8, 2015 private placement, the Company granted 4,166,667 share purchase warrants exercisable at \$0.15 per share. 500,000 warrants were exercised on October 8, 2015. The balance of these warrants expired on January 8, 2016. As at December 31, 2015, there were 4,166,667 warrants outstanding and the weighted average life remaining of these warrants was 0.01 years.

7. CAPITAL DISCLOSURES

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

8. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Ref.	2015	2014
		\$	\$
FVTPL financial asset	a	737	35,156
Other financial liabilities	b	1,017,194	45,880

a. Comprises cash

b. Comprises accounts payable and short-term loans

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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8. FINANCIAL INSTRUMENTS (continued)

Management of Industry and Financial Risk

The Company is engaged primarily in the sales and distribution of approved drugs and manages related industry risk issues directly. The Company may be at risk for regulatory issues and fluctuations in exchange rates.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As at December 31, 2015, the Company had cash of \$737 (2014 - \$35,156) to settle the total current liabilities of \$1,017,194 (2014 - \$45,880).

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

At December 31, 2015, the Company had accounts payable of \$193,262 denominated in Euro. A significant change in the currency exchange rates between the Canadian dollars relative to the Euro could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company incurred \$60,000 (2014 – \$NIL) of consulting fees from the Chief Financial Officer ("CFO") and Director of the Company. Included in accounts payable was \$63,000 outstanding to this Director at December 31, 2015.

During the year ended December 31, 2014, the Company incurred \$15,000 of consulting fees from the former CFO and Director of the Company. As at December 31, 2015, \$nil (December 31, 2014 - \$15,000) remains unpaid.

Included in accounts payable is also a payable to a director of a greater than 10% shareholder of the Company in the amount of \$40,529 (2014 - \$nil).

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10. INCOME TAXES

As at December 31, 2015, the Company had non-capital losses carried forward of \$1,108,418 (2014 - \$85,824) which are available for deduction against future Canadian taxable income. A deferred income tax asset of \$288,189 (2014 - \$22,314) was not recognized as at December 31, 2015 and 2014 due to the uncertainty that Company will be able to realize the benefits related to the deferred tax asset. The non-capital losses will expire as follows:

	\$
2034	85,824
2035	1,022,594
	<hr/>
	1,108,418

11. SUBSEQUENT EVENTS

- (a) On January 8, 2016, 4,166,667 warrants expired without exercise.
- (b) On January 16, 2016, 625,000 common shares were released from escrow.