# MONTEREY MINERALS INC.

Vancouver, BC

CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended July 31, 2017

(Q1 – Fiscal 2018)

## MONTEREY MINERALS INC.

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), MONTEREY MINERALS INC. advises all readers that an auditor has not performed a review of these condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the sole responsibility of the Company's management for all information contained herein for the period ended July 31, 2017 (Q1 – Fiscal 2018).

**MONTEREY MINERALS INC.**
Consolidated Statement of Financial Positions
July 31, 2017
(Expressed in Canadian dollars)

| | Note | **July 31, 2017**<br>**$**<br>**(Unaudited)** | April 30, 2017<br>$<br>(Audited) |
|---|---|---|---|
| **Assets** | | **—** | - |
| **Liabilities** | | | |
| Current: | | | |
| Accounts payable and accrued expenses | | **27,113** | 26,712 |
| Loans payable | 7 | **4,319** | 4,319 |
| Deposits | 8 | **1,000** | 1,000 |
| | | **32,432** | 32,031 |
| **Shareholder's Deficiency** | | | |
| Share Capital | 4 | **1** | 1 |
| Deficit | | **(32,433)** | (32,032) |
| | | **(32,432)** | (32,031) |
| **Total Liabilities and Shareholders' Deficiency** | | **—** | — |

Nature and Continuance of Operations (Note 1)
Commitments (Note 9)

*The accompanying notes are integral to these consolidated financial statements.*

Approved and authorized for issue by the Board of Directors on August 31, 2017:

/s/ Ron Ozols
Director

**MONTEREY MINERALS INC.**
Consolidated Statement of Loss and Comprehensive Loss
For the Three Months Ended July 31, 2017
(Expressed in Canadian dollars)

| | **For the Three Months Ended July 31, 2017 $** | For the Three Months Ended July 31, 2016 $ |
|---|---|---|
| Expenses: | | |
| Consulting | **—** | 3,000 |
| Transfer Agent & Filing Fees | **401** | — |
| | **401** | 3,000 |
| Net Loss and total comprehensive loss for the period | **(401)** | (3,000) |
| Basic and diluted loss per common share | **$(401)** | $(3,000) |
| Weighted average number of common shares outstanding | **1** | 1 |

*The accompanying notes are integral to these consolidated financial statements.*

**MONTEREY MINERALS INC.**
Statement of Changes in Shareholders' Equity
For the Period Ended July 31, 2017
(Expressed in Canadian dollars except the number of shares)

| | Common Shares | | | |
|---|---|---|---|---|
| | Number | Amount $ | Deficit $ | Total $ |
| **Balance, April 30, 2015** | **1** | **1** | **(8,001)** | **(8,000)** |
| Net Loss for the year | — | — | (14,739) | (14,739) |
| **Balance, April 30, 2016** | **1** | **1** | **(22,740)** | **(22,739)** |
| Net Loss for the year | — | — | (9,292) | (9,292) |
| **Balance, April 30, 2017** | **1** | **1** | **(32,032)** | **(32,031)** |
| Net Loss for the period | — | — | (401) | (401) |
| **Balance, July 31, 2017** | **1** | **1** | **(32,433)** | **(32,432)** |

*The accompanying notes are integral to these consolidated financial statements.*

**1. Nature and Continuance of Operations:**

MONTEREY MINERALS INC. (the "Company") was incorporated as a wholly-owned subsidiary of reporting issuer Evitrade Health Systems Corp. (formerly Auxellence Health Corporation) ("Evitrade") on May 9, 2014 under the laws of British Columbia, Canada. Its head office is located at 5728 East Boulevard, Vancouver. BC, V6M 4M4, Canada.

On October 19, 2016, the Company incorporated four wholly-owned subsidiaries: 1093681 BC LTD., 1093682 BC LTD., 1093683 BC LTD., and 1093684 BC LTD. ("Subcos") setup for proposed arrangement transactions (see Note 11). The Subcos were inactive as of July 31, 2017. The Company is a reporting issuer in the Province of British Columbia.

The Company is in the technology business/sector involved in internet marketing and applications.

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. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business of internet marketing and applications.

The development of its business may take many years to be in successful and the amount of resulting income, if any, is difficult to determine with any certainty. On July 31, 2017, the Company had not yet achieved profitable operations, had no profits since inception, a deficit of $32,433 and working capital deficit of $32,432 and expects to incur losses in the development of its business, all of which casts material uncertainty about the Company's ability to continue as a going concern.

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 financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. Basis of Presentation:**

Statement of Compliance -

These condensed interim consolidated financial statements for the period ended July 31, 2017 were prepared by management, and reviewed, approved and authorized for issue by the Board of Directors on August 31, 2017 following guidance of *IAS 34 - Interim Financial Reporting*.

These condensed interim consolidated financial statements are made available to Company shareholders and other stakeholders on the System for Electronic Document Analysis and Retrieval ("SEDAR").

**3. Significant Accounting Policies:**

The accounting policies set out below are in effect in the condensed interim consolidated financial statements for the three months ended July 31, 2017 and have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

a. Basis of Measurement -

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified in accordance with measurement standards under IFRS. These financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

b. Significant Accounting Judgments and Estimates -

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

c. Financial Instruments -

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

**3. Significant Accounting Policies (continued):**

c) Financial instruments (continued) -

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Financial assets and liabilities are classified into one of the following categories based on the purpose for which they were acquired:

- Financial asset or financial liability at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets; and
- Other financial liabilities

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset and liability. All transactions related to financial instruments are recorded on a settlement date basis.

Financial asset or financial liability at fair value through profit or loss ("FVTPL")

A financial asset or liability classified at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets and liabilities are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

**3. Significant Accounting Policies (continued):**

c) Financial instruments (continued) -

*Held-to-Maturity*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investments, including impairment losses, are recognized in the profit or loss.

*Loans and Receivables*

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

*Available-for-Sale Financial*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. Except as mentioned below, available-for-sale financial assets are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the 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.

The Company has classified cash and cash equivalents as FVTPL, investments in equity instruments as available-for-sale financial assets, receivables as loans and receivables, and accounts payable and accrued liabilities as other liabilities.

**3. Significant Accounting Policies (Continued):**

c) Financial instruments (continued) -

*Effective Interest Method*

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

*Derecognition of Financial Liabilities*

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

d) Offsetting of Financial Instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

e) Impairment of Financial Assets -

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

*Financial Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

**3. Significant Accounting Policies (Continued):**

e) Impairment of Financial Assets – (continued)

*Financial Assets Carried at Amortized Cost (continued)*

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

*Available-for-Sale Financial Assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated comprehensive income to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

f) 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 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.

g) Loss Per Share -

Basic loss per share is computed by dividing the net loss available to common shareholder 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.

**3. Significant Accounting Policies (Continued):**

h) Provisions -

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination.

They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

i) Future Changes in Accounting Policies -

The IASB issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), amendments and related interpretations. At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations, which could be applicable to the Company and are not yet effective for the relevant reporting periods.

*IFRS 9, “Financial Instruments”*

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both *IAS 39, "Financial Instruments: Recognition and Measurement"* and *IFRIC 9, "Reassessment of Embedded Derivatives"*. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing what impact the application of these standards.

**4. Share Capital and Reserves:**

Authorized – Unlimited Common shares without par value; and

Issued and Outstanding – One common share was issued by the Company for $1.00 on May 9, 2014 to Evitrade, the incorporator and former parent company. The incorporator share transferred to the sole director of the Company on November 18, 2014.

**5. 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 shareholder and benefits for other stakeholders. The Company considers the items included in shareholder's 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.

**6. 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 liquidity risk, credit risk and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a. Credit risk -

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and receivables.

b. Liquidity risk -

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. As the Company does not have any cash or cash equivalents, the liquidity risk has been assessed as being high.

**7. Loans:**

During the three months ended July 31, 2017 there was no loan activity with total loans payable of $4,319 (April 30, 2017: $4,319) that are without interest or terms of repayment and due on demand.

**8. Related Party Transactions:**

During the three months ended July 31, 2017 and comparable prior fiscal period, no related party transactions occurred with any company managed by a common director or officer.

As at July 31, 2017, included in deposits is $1,000 (April 30, 2017: $1,000) owing to a company with directors in common for shares that are to be issued as part of the Plan of Arrangement (See Note 9).

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.

**9. Commitments:**

The Company entered into a plan of arrangement (the "Arrangement") on June 13, 2014 with Evitrade, and Evitrade’s wholly-owned subsidiaries. Pursuant to the Arrangement, the Company is to issue 1,010,549 shares to the shareholders of Evitrade which equals the number of issued and outstanding common shares of Evitrade at the time of the share distribution date multiplied by the conversion factor, plus an additional 500-shares per beneficial holder (the “Shares”).

In exchange for the Shares, Evitrade will transfer to the Company $1,000 and the all of its interest in the letter of intent to the Company.

As of August 31, 2017, the Company has not issued the Shares pursuant to the Arrangement.

**10. Income Taxes:**

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.

**10. Income Taxes (Continued):**

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

| | **July 31, 2017** | July 31, 2016 |
|---|---|---|
| Loss before income taxes | **$** | |
| Estimated statutory income tax rates | **26.00%** | 26.00% |
| Expected income tax recovery at statutory rates | **104** | 780 |
| Effect of an increase in tax rates | **—** | — |
| (Increase) Decrease in unrecognized deferred taxes | **(104)** | (780) |
| Deferred income tax recovery | **—** | — |

Details of deferred income tax assets are as follows:

| | **July 31, 2017 $** | July 31, 2016 $ |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital losses carried forward | **—** | 6,692 |
| Capital losses carried forward | | — |
| Tax value of equipment in excess of book value | **—** | — |
| Tax value of CEC in excess of book value | **—** | — |
| Total deferred income tax assets | **9,834** | 6,692 |
| Less: unrecognized deferred tax assets | **(9,834)** | (6,692) |
| **Deferred income tax assets** | **—** | — |

Non-Capital Losses –

As at July 31, 2017, the Company has non-capital losses of approximately $_________ (April 30, 2017: $32,032) which may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

| FISCAL YEAR | $ |
|---|---|
| 2035 | 8,001 |
| 2036 | 14,739 |
| 2037 | 9,292 |
| 2038 | |

**11. Arrangement Agreement:**

On September 30, 2016, the Company signed letters of intent ("LOIs") with each of Landsdown Holdings Ltd., GCK Forestry Ltd., 2265040 Ontario Inc. (o/a EVI Tech Group) and Railhead Resources Ltd. (the "Purchasers") to form four (4) wholly owned subsidiaries ("Subcos") to effect transactions in which Subcos will purchase all of the issued and outstanding capital stock from each of the respective Purchasers' shareholders.

On November 29, 2016, the Company received court approval for its Arrangement Agreement with each of its four wholly-owned subsidiaries 1093681 BC LTD., 1093682 BC LTD., 1093683 BC LTD., and 1093684 BC LTD. (the "Subcos"), pursuant to which, amongst other things, will result in transfer the Letters of Intent and $1,000 (the "Assets") to each of 1093681, 1093682, 1093683, and 1093684 in consideration for shares of each Subcos.

The Company is still in process of completing the spinout of its Subcos.