

**AREV NUTRITION SCIENCES INC.**  
**(FORMERLY IMMUNALL SCIENCE INC.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2018**

Stated in Canadian Funds

**NOTICE OF NO AUDITOR REVIEW OF**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

Table of Contents	i
Management’s Responsibility .....	i
Condensed Interim Statement of Financial Position .....	1
Condensed Interim Statement of Comprehensive Loss .....	2
Condensed Interim Statement of Changes in Equity.....	3
Condensed Interim Statement of Changes in Equity – Cont’d .....	4
Condensed Interim Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6
1) Nature of operations and going concern.....	6
2) Basis of preparation – Statement of Compliance.....	6
3) Significant accounting policies .....	7
4) Critical accounting judgements and key sources of estimation uncertainty .....	9
5) Accounting standards issued but not yet effective and new accounting standards adopted during the period.....	10
6) Financial instruments and risk management .....	11
7) Inventory.....	12
8) Deferred transaction costs .....	12
9) Property and equipment .....	13
10) Accounts payable and accrued liabilities .....	13
11) Credit facility.....	13
12) Convertible debentures.....	14
13) Related party transactions .....	14
14) Share capital.....	15
15) Commitments .....	17
16) Capital management .....	17
17) Subsequent events .....	18

## MANAGEMENT'S RESPONSIBILITY

To the Shareholders of AREV Nutrition Sciences Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Organization of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

28 August 2018

The financial statements were approved by the Board of Directors on 28 August 2018 and were signed on its behalf by:

*"Stephane Maher"*

---

Stephane Maher, Director

*"Mike Withrow"*

---

Mike Withrow, Director

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 June 2018	As at 31 December 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 391,913	\$ 1,058,578
Amounts receivable		3,464	38,769
Inventory	(7)	41,876	41,876
Prepaid expenses and deposits		20,918	52,406
Deferred transaction costs	(8)	557,369	-
		<b>1,015,540</b>	<b>1,191,629</b>
<b>Non-current Assets</b>			
Property and equipment	(9)	451,740	467,198
		<b>\$ 1,467,280</b>	<b>\$ 1,658,827</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(10)	\$ 190,969	\$ 361,228
Due to related parties	(13)	78,349	53,667
		<b>269,318</b>	<b>414,895</b>
<b>Non-current Liabilities</b>			
Convertible debentures	(12)	-	284,675
		<b>269,318</b>	<b>699,570</b>
<b>EQUITY</b>			
Share capital	(14)	3,769,875	3,037,378
Shares issuable	(14)	-	7,500
Share subscriptions receivable	(14)	-	(37,500)
Equity portion of convertible debenture	(14)	-	43,193
Contributed surplus	(14)	589,547	514,639
Deficit		(3,161,460)	(2,605,953)
		<b>1,197,962</b>	<b>959,257</b>
		<b>\$ 1,467,280</b>	<b>\$ 1,658,827</b>
Nature of Operations and Going Concern	(1)	Commitments	(15)
Basis of Preparation - Statement of Compliance	(2)		

The financial statements were approved by the Board of Directors on 28 August 2018 and were signed on its behalf by:

*"Stephane Maher"*

Stephane Maher, Director

*"Mike Withrow"*

Mike Withrow, Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS**

	Six month period ended 30 June 2018	Six month period ended 30 June 2017	Three month period ended 30 June 2018	Three month period ended 30 June 2017
<b>CONTINUING OPERATIONS</b>				
<b>EXPENSES</b>				
<b>General and Administrative</b>				
Consulting fees	\$ 146,462	\$ 120,395	\$ 106,462	\$ 80,624
Advertising and marketing	88,773	37,052	41,699	23,937
Share-based payments	74,908	-	-	-
Professional fees	28,783	33,384	13,132	7,675
Office and administration	27,183	9,642	16,633	8,714
Amortization and depreciation	26,693	22,967	13,487	11,484
Rent and utilities	24,016	27,006	14,542	13,962
Transfer agent and regulatory fees	19,922	5,929	11,375	426
Insurance expense	2,885	962	1,443	962
<b>Loss Before Other Expenses</b>	<b>\$ (439,625)</b>	<b>\$ (257,337)</b>	<b>\$ (218,773)</b>	<b>\$ (147,784)</b>
<b>Other Expenses</b>				
Interest expense	657	18,596	-	8,363
Accretion expense (recovery)	(369)	13,771	-	3,640
Impairment of deferred transaction costs (8)	115,594	-	115,594	-
<b>Loss and Comprehensive Loss</b>	<b>\$ (555,507)</b>	<b>\$ (289,704)</b>	<b>\$ (334,367)</b>	<b>\$ (159,787)</b>
<b>Basic and Diluted Loss per Common Share</b>				
	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted Average Number of Shares Outstanding</b>				
	<b>32,442,213</b>	<b>12,828,117</b>	<b>33,522,662</b>	<b>13,732,980</b>

Canadian Funds  
(Unaudited)

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Shares	Amount	Share Subscriptions Receivable	Shares Issuable	Equity Portion of Convertible Debentures	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficit)
<b>BALANCE 31 DECEMBER 2016</b>	11,913,200	\$ 1,292,769	\$ (5,000)	-	59,750	\$ 422,248	\$ (1,586,012)	183,755
Net loss for the period	-	-	-	-	-	-	(129,917)	(129,917)
<b>BALANCE 31 MARCH 2017</b>	11,913,200	1,292,769	(5,000)	-	59,750	422,248	(1,715,929)	53,838
Shares issued for convertible debenture	2,300,000	119,900	-	-	(16,557)	-	-	103,343
Share subscriptions received	-	-	5,000	-	-	-	-	5,000
Net loss for the period	-	-	-	-	-	-	(159,787)	(159,787)
<b>BALANCE 30 JUNE 2017</b>	14,213,200	1,412,669	-	-	43,193	422,248	(1,875,716)	2,394
Shares issued for convertible debenture	600,000	150,000	-	-	-	-	-	150,000
Share based payments	-	-	-	-	-	22,000	-	22,000
Net loss for the period	-	-	-	-	-	-	(308,187)	(308,187)
<b>BALANCE 30 SEPTEMBER 2017</b>	14,813,200	1,562,669	-	-	43,193	444,248	(2,183,903)	(133,793)
Shares issued for cash	4,838,000	1,202,000	-	7,500	-	-	-	1,209,500
Share issuance costs	-	(81,791)	-	-	-	45,391	-	(36,400)
Shares issued for warrant exercise	3,100,000	285,000	-	-	-	-	-	285,000
Shares issued for debt	233,000	69,500	-	-	-	-	-	69,500
Share subscriptions receivable	-	-	(37,500)	-	-	-	-	(37,500)
Share based payments	-	-	-	-	-	25,000	-	25,000
Net loss for the period	-	-	-	-	-	-	(422,050)	(422,050)
<b>BALANCE 31 DECEMBER 2017</b>	22,984,200	\$ 3,037,378	\$ (37,500)	7,500	43,193	\$ 514,639	\$ (2,605,953)	959,257

Canadian Funds  
(Unaudited)

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY – CONT'D

<b>BALANCE 31 DECEMBER 2017</b>	<b>22,984,200 \$</b>	<b>3,037,378 \$</b>	<b>(37,500) \$</b>	<b>7,500 \$</b>	<b>43,193 \$</b>	<b>514,639 \$</b>	<b>(2,605,953) \$</b>	<b>959,257</b>
Share based payments	-	-	-	-	-	74,908	-	74,908
Shares issued for convertible debenture	6,000,000	327,497	-	-	(43,193)	-	-	284,304
Shares issued for warrant exercise	3,500,000	215,000	-	-	-	-	-	215,000
Net loss for the period	-	-	-	-	-	-	(221,140)	(221,140)
<b>BALANCE 31 MARCH 2018</b>	<b>32,484,200</b>	<b>3,579,875</b>	<b>(37,500)</b>	<b>7,500</b>	<b>-</b>	<b>589,547</b>	<b>(2,827,093)</b>	<b>1,312,329</b>
Share subscriptions received	-	-	37,500	(7,500)	-	-	-	30,000
Shares issued for warrant exercise	2,100,000	190,000	-	-	-	-	-	190,000
Net loss for the period	-	-	-	-	-	-	(334,367)	(334,367)
<b>BALANCE AT 30 JUNE 2018</b>	<b>34,584,200 \$</b>	<b>3,769,875 \$</b>	<b>- \$</b>	<b>- \$</b>	<b>- \$</b>	<b>589,547 \$</b>	<b>(3,161,460) \$</b>	<b>1,197,962</b>

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**

Note	Six month period ended 30 June 2018	Six month period ended 30 June 2017	Three month period ended 30 June 2018	Three month period ended 30 June 2017
<b>OPERATING ACTIVITIES</b>				
<b>Loss for the Period</b>	\$ (555,507)	\$ (289,704)	\$ (334,367)	\$ (159,787)
<b>Items not Affecting Cash</b>				
Amortization and depreciation	26,693	22,966	13,487	11,483
Stock-based compensation	74,908	-	-	-
Impairment of deferred transaction cost	115,594	-	115,594	-
Accretion of discount on convertible debentures	(369)	13,771	-	3,640
	<b>(338,681)</b>	<b>(252,967)</b>	<b>(205,286)</b>	<b>(144,664)</b>
<b>Net Change in Non-cash Working Capital</b>				
Amounts receivable	35,305	(8,957)	30,156	(4,953)
Inventory	-	5,432	-	2,720
Prepaid expenses	31,488	5,000	5,000	5,000
Accounts payable and accrued liabilities	(170,261)	30,188	(33,369)	56,885
Other current assets	(334,869)	-	(334,869)	-
	<b>(777,018)</b>	<b>(221,304)</b>	<b>(538,368)</b>	<b>(85,012)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of equipment	(11,235)	-	(11,235)	-
Deferred transaction costs	(338,094)	-	(77,744)	-
	<b>(349,329)</b>	<b>-</b>	<b>(88,979)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from warrant exercises	405,000	-	190,000	-
Share subscriptions receivable, net	30,000	5,000	30,000	5,000
Advances from related parties	24,682	-	24,682	-
Proceeds from loan agreements	-	30,000	-	30,000
	<b>459,682</b>	<b>35,000</b>	<b>244,682</b>	<b>35,000</b>
<b>Net (Decrease) in Cash</b>	<b>(666,665)</b>	<b>(186,304)</b>	<b>(382,665)</b>	<b>(50,012)</b>
Cash position – beginning of period	1,058,578	194,137	774,578	57,845
<b>Cash Position – End of Period</b>	<b>\$ 391,913</b>	<b>\$ 7,833</b>	<b>\$ 391,913</b>	<b>\$ 7,833</b>



# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 1) Nature of operations and going concern

AREV Nutrition Sciences Inc. (formerly Immunall Science Inc.) (the “Company”) was incorporated under the Business Corporations Act (Alberta) on 22 November 2005. On 30 June 2017, the Company changed its name to AREV Nutrition Sciences Inc. and changed its incorporation jurisdiction to be British Columbia. The Company was a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American ginseng. During 2014, the Company ceased its ginseng operations and is currently developing and plans on distributing its line of natural health products. The registered address of the Company is Suite 440, 890 West Pender Street, Vancouver, BC, V6C 1J9. The principal place of business of the Company is Unit 2, 9049 Shaughnessy Street, Vancouver, BC, V6P 6R9. The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “AREV”.

These condensed interim financial statements (the “Financial Statements”) have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at 30 June 2018, the Company has not generated any revenues from operations. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

	30 June 2018	31 December 2017
Working capital surplus (deficiency)	\$ 746,222	\$ 776,734
Accumulated (deficit)	\$ (3,161,460)	\$ (2,605,953)

#### 2) Basis of preparation – Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Financial Statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the year ended 31 December 2017.

## **NOTES TO FINANCIAL STATEMENTS**

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of Financial Statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **3) Significant accounting policies**

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recently audited annual financial statements. For a complete summary of significant accounting policies, please refer to the Company's audited annual financial statements for the year ended December 31, 2017.

#### **a) Basis of presentation**

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

#### **b) Use of estimates and judgements**

The preparation of the Financial Statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of inventory, the useful lives and recoverability of property and equipment, fair value of share-based payments and convertible debentures, and unrecognized deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may

## NOTES TO FINANCIAL STATEMENTS

### c) Financial instruments

#### i) Non-derivative financial assets

The Company initially recognizes financial assets measured at amortized cost on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 assets, the estimated future cash flows of the investments have been impacted.

For all other financial assets objective evidence of impairment could include:

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

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount 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 the statement of operations.

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 through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## **NOTES TO FINANCIAL STATEMENTS**

### **ii) Non-derivative financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### **iii) Share capital**

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

## **4) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

### **a) Key sources of estimation uncertainty**

#### Useful life of property and equipment

The Company reviews the estimated lives of its property and equipment at the end of each reporting period. There were no material changes in the lives of property and equipment for the fiscal periods ended 30 June 2018 or 2017.

#### Share based payments

## **NOTES TO FINANCIAL STATEMENTS**

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3. The fair value of stock options granted is measured using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using Black-Scholes do not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

### Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgements on the amount and timing of recovery.

### **b) Key sources of judgement uncertainty**

#### Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at 30 June 2018.

### **5) Accounting standards issued but not yet effective and new accounting standards adopted during the period**

#### **Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently assessing the impact, if any, that these standards might have on its Financial Statements.

#### **a) IFRS 16, Leases**

In January 2017, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. Management is currently reviewing the impact that this standard will have on the Company's Financial Statements.

**NOTES TO FINANCIAL STATEMENTS**

**New accounting standards adopted during the period**

**b) IFRS 9, Financial Instruments**

In July 2014, the IASB issued IFRS 9, Financial Instruments (IFRS 9). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption of the new standard permitted. The Company adopted IFRS 9 on 1 January 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

**c) IFRS 15 – Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five –step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption of the new standard permitted. The amended standard was adopted on 1 January 2018 and did not have an impact on the condensed interim financial statements.

**6) Financial instruments and risk management**

**a) Fair Values**

Assets and liabilities measured at fair value on a recurring basis were presented on the Company’s statement of financial position as at 30 June 2018 are as follows:

	Fair value measurements using			Carrying amount at 30 June 2018
	Quoted prices in active markets for financial instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Cash</b>	<b>\$</b>	<b>391,913</b>	<b>\$</b>	<b>- \$</b>
				<b>- \$</b>
				<b>391,913</b>

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, credit facility, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

**b) Credit Risk**

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

### c) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

### d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

### 7) Inventory

	30 June 2018	31 December 2017
Finished nutritional goods	\$ 41,876	\$ 41,876

### 8) Deferred transaction costs

On 17 January 2018, the Company announced a binding agreement (the Acquisition Agreement") to acquire 100% of the issued and outstanding shares of We Grow BC Ltd. ("WGBC"). WGBC is a private company located in British Columbia and holds a Cultivation License pursuant to the Access for Cannabis Medical Purposes Regulations under Health Canada. The Company's intention is to enter into an amalgamation by plan of arrangement where the amalgamation shall take place between a wholly owned subsidiary of AREV and WGBC. During the six month period ended 30 June 2018 the Company incurred deferred transaction costs in the amount of \$338,094 (31 December 2017 - \$nil) in connection with the transaction. On 10 July 2018 the Company announced that it will not be proceeding with the proposed transaction. The Company reached a settlement with WCGB whereby WCGB agreed to pay the Company \$135,000 and return 350,000 common shares of the Company to treasury. Accordingly, the Company wrote down the deferred transaction costs to the recoverable amount of \$222,500 and recognized an impairment loss of \$115,594.

As at 30 June 2018, the Company has incurred an additional \$334,869 of transaction costs related to the acquisition of a property in British Columbia.

# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

### 9) Property and equipment

	Equipment	Leasehold Improvements	Total
<b>COST OR DEEMED COST</b>			
Balance at 31 December 2016	\$ 407,102	\$ 3,200	\$ 410,302
Additions	113,029	-	113,029
Balance at 31 December 2017	\$ 520,131	\$ 3,200	\$ 523,331
Additions	<b>11,235</b>	-	<b>11,235</b>
Balance at 30 June 2018	<b>\$ 531,366</b>	<b>\$ 3,200</b>	<b>\$ 534,566</b>
<b>DEPRECIATION</b>			
Balance at 31 December 2016	\$ 7,538	\$ 1,422	\$ 8,960
Depreciation for the period	46,106	1,067	47,173
Balance at 31 December 2017	\$ 53,644	\$ 2,489	\$ 56,133
Depreciation for the period	<b>26,160</b>	<b>533</b>	<b>26,693</b>
Balance at 30 June 2018	<b>\$ 79,804</b>	<b>\$ 3,022</b>	<b>\$ 82,826</b>
<b>CARRYING AMOUNTS</b>			
At 31 December 2017	\$ 466,487	\$ 711	\$ 467,198
At 30 June 2018	<b>\$ 451,562</b>	<b>\$ 178</b>	<b>\$ 451,740</b>

On 16 September 2017, the Company purchased assembled apparatus for extracting oils from natural biomass using fast freezing extraction methods from a director of the Company. The purchase price of \$400,000 was payable by issuance of 2,000,000 common shares with a fair value of \$0.05 per share and a \$300,000 convertible debenture. Refer to Note 12. The shares were issued on 9 March 2017.

### 10) Accounts payable and accrued liabilities

	30 June 2018	31 December 2017
Trade payables and accrued liabilities	\$ 166,707	\$ 184,749
Trade payables – related parties	9,587	130,962
Accrued interest payables	14,675	45,517
	<b>\$ 190,969</b>	<b>\$ 361,228</b>

### 11) Credit facility

On 23 May 2017, the Company entered into a credit facility agreement with a director of the Company to fund its operations. The credit facility is unsecured, bears interest at 10% per annum, compounded monthly. The credit facility was repaid in full on 4 December 2017.



# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

	30 June 2018	31 December 2017
<b>Opening balance</b>	\$ -	\$ -
Withdrawals from credit facility	-	(68,376)
Interest	-	(3,158)
Repayment of credit facility	-	71,534
<b>Closing Balance</b>	\$ -	\$ -

### 12) Convertible debentures

On 16 September 2017, the Company issued a \$115,000 convertible debenture to a director of the Company for settlement of debt. The debenture is unsecured, bears interest at 10% per annum, is due on 16 September 2018, and can be converted into units of the Company at \$0.05 per unit. On 20 April 2017, the Company's \$115,000 convertible debenture was converted into 2,300,000 units of the Company at \$0.05 per unit, with each unit consisting of one common share and one share purchase warrant of the Company. As at 30 June 2018, accrued interest on the debenture totalled \$6,805 (2017 - \$6,805) and is included in accounts payable and accrued liabilities.

On 16 September 2016, the Company issued a \$300,000 convertible debenture to a company controlled by a director of the Company for the purchase of equipment. The debenture is unsecured, bears interest at 10% per annum, is due on 16 September 2018, and can be converted into units of the Company at \$0.05 per unit. On 8 February 2018 convertible debenture was converted into units of the Company. Each Unit consists of one common share and one common share warrant. The total principal amount of the convertible debenture exercised is \$300,000, and the debentures were converted at a price of \$0.05. After converting the debenture, 2,000,000 of the resulting warrants were exercised at a price of \$0.05 per common share for a total cost of \$100,000. As at 30 June 2018, accrued interest on the debenture totalled \$7,870 (2017 - \$38,712) is included in accounts payable and accrued liabilities.

### 13) Related party transactions

Transactions and balances with related parties not disclosed elsewhere in the Financial Statements are as follows:

#### RELATED PARTY DISCLOSURE

Name and Principal Position	Period <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>	Share-based awards	Amounts Payable
The Chief Executive Officer of the Company	2018	\$ 48,000	-	8,400
	2017	\$ 48,000	-	-
The former Chief Financial Officer of the Company	2018	\$ 15,385	75,750	-
	2017	\$ -	-	-

<sup>(i)</sup> For the six month periods ended 30 June 2018 and 30 June 2017

<sup>(ii)</sup> Amounts disclosed were paid or accrued to the related party.

## **NOTES TO FINANCIAL STATEMENTS**

Included in accounts payable as at 30 June 2018 is \$1,187 (31 December 2017 - \$116,975) owing a company with directors in common for the purchase of fast freeze extraction equipment.

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

### **14) Share capital**

#### **a) Authorized capital:**

- unlimited common shares without par value
- 20,000,000 preferred shares, issuable in one or more series
- 20,000,000 redeemable preferred shares, issuable in one or more series

#### **b) Issued or allotted and fully paid:**

On 8 February 2018 The Company announced that a company controlled by a director of the Company has converted the second of two convertible debentures into units of the Company. Each Unit consists of one common share and one common share warrant. The total principal amount of the convertible debenture exercised is \$300,000, and the debentures were converted at a price of \$0.05. After converting the debenture, 2,000,000 of the resulting warrants were exercised at a price of \$0.05 per common share for a total cost of \$100,000.

#### **c) Summary of stock option activity**

The Company has a stock option plan pursuant to which the Board of the Company may grant options to purchase common shares to the officers, directors, and employees of the Company or affiliated companies and to consultants retained by the Company.

The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

On 8 February 2018 the Company granted 405,000 stock options to officers and consultants of the Company at a price of \$0.56 per option for a period of 5 years from the date of issuance. During the period ended 30 June 2018, the Company cancelled these options.

Option activity during the period is summarized as follows:

# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

<b>Option ACTIVITY</b>	<b>30 June 2018</b>	<b>Weighted average exercise price</b>	<b>31 December 2017</b>	<b>Weighted average exercise price</b>
<b>Balance – beginning of year</b>	<b>200,000</b>	<b>\$ 0.37</b>	-	-
Granted	405,000	0.56	200,000	0.37
Expired/Cancelled	(405,000)	0.56	-	-
<b>Balance – end of year</b>	<b>200,000</b>	<b>\$ 0.37</b>	200,000	\$ 0.37

As at 30 June 2018 and 31 December 2017 the Company had the following stock options outstanding:

<b>Expiry date</b>	<b>Exercise Price</b>	<b>30 June 2018 Outstanding</b>	<b>30 June 2018 Exercisable</b>	<b>31 December 2017 Outstanding</b>
18 September 2022	\$ 0.25	100,000	100,000	100,000
7 March 2022	\$ 0.49	100,000	100,000	100,000
		<b>200,000</b>	<b>200,000</b>	<b>200,000</b>

For the period ended 30 June 2018 and 31 December 2017, the Company issued stock options to its directors, officers, employees, and consultants and recognized stock-based compensation as follows:

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Total Options Granted</b>	<b>405,000</b>	200,000
Weighted average exercise price	\$ 0.56	\$ 0.37
Weighted average remaining life of the outstanding options in years	0.00	4.83
Estimated grant date fair value	\$ 202,000	\$ 66,000
Estimated grant date fair value per option	\$ 0.50	\$ 0.33

### d) Warrants

<b>WARRANT ACTIVITY</b>	<b>30 June 2018</b>	<b>Weighted average exercise price</b>	<b>31 December 2017</b>	<b>Weighted average exercise price</b>
<b>Balance – beginning of period</b>	<b>6,964,600</b>	<b>\$ 0.25</b>	5,200,000	\$ 0.10
Issued	6,000,000	0.05	4,864,600	0.40
Exercised	(5,600,000)	0.07	(3,100,000)	0.09
Expired	(200,000)	0.10	-	-
<b>Balance – end of period</b>	<b>7,164,600</b>	<b>\$ 0.18</b>	6,964,600	\$ 0.25

# AREV NUTRITION SCIENCES INC.

Canadian Funds

(Unaudited)

## NOTES TO FINANCIAL STATEMENTS

Details of warrants outstanding as at 30 June 2018 are as follows:

Expiry Date	Exercise Price	30 June 2018	31 December 2017
16 May 2018	\$ 0.10	-	2,600,000
20 April 2019	0.05	600,000	1,800,000
28 November 2019	0.40	2,564,600	2,564,600
8 January 2020	0.05	4,000,000	-
		<b>7,164,600</b>	<b>6,964,600</b>

Details of weighted-average exercise price and the remaining life of warrants are as follows:

		30 June 2018	30 June 2017
The outstanding warrants have a weighted-average exercise price of:	\$	<b>0.18</b>	\$ 0.21
The weighted average remaining life of the outstanding warrants is:		<b>1.43</b>	1.01

### 15) Commitments

The Company has a licencing and royalty memorandum of understanding with the initial developer of the technology that is being utilized exclusively by the Company for the production of products from ginseng roots. As part of the memorandum of understanding, the Company is required to pay a royalty of 5% of the invoiced cost of each production run incurred by the Company.

On 16 September 2016, the Company entered into an agreement with the CEO of the Company whereby the Company agreed to pay \$8,000 per month for services rendered. The Company also paid the CEO of the Company a one-time signing bonus of \$25,000 by issuance of 500,000 common shares upon signing of the agreement. The Company is to pay a one-time bonus of \$100,000 payable by the issuance of 1,000,000 common shares of the Company, immediately following public filing of annual financial statements of the Company which show revenue in excess of \$1,000,000 in the completed fiscal year.

On 27 August 2015, the Company entered into a premises lease agreement that started on 1 September 2015 and ends on 31 August 2018 with a two year option to extend. Expected annual payments under this lease arrangement are as follows:

2018	\$	<b>5,476</b>
<b>Total</b>	\$	<b>5,476</b>

### 16) Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to sustain future development of the business. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions receivable, and share-based payment reserve.

## **NOTES TO FINANCIAL STATEMENTS**

The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets, or incur debt.

The Company is not subject to externally imposed capital requirements and there have been no changes to the Company's capital management policy during the period ended 30 June 2018.

### **17) Subsequent events**

On 21 August 2018, the Company announced a binding agreement to acquire 100% of the issued and outstanding shares of AdviceScene Enterprises Inc. dba Seventails Cultivation. The Acquisition Agreement provides for the aggregate purchase price for the Acquisition of the Seventails' Shares to have a deemed value of \$5,250,000 comprised of \$500,000 in cash and 9,500,000 common shares of AcquireCo. It is anticipated a total of 9,500,000 AREV shares will be issued at a deemed price of \$0.50 per AREV Share pursuant to the agreement. An aggregate deemed value of \$5,000,000. If the Valuation reports a higher valuation range limit lower than \$5,000,000 but equal to or greater than \$4,000,000 then the Purchase price shall comprise of \$500,000 in cash and 9,500,000 common shares at the deemed price equal to \$0.56. Concurrent with the completion of the Acquisition at the Closing, AcquireCo shall have completed a financing raising a minimum of \$3,000,000 in net proceeds, which \$3,000,000 in net proceeds shall be provided to Seventails as an inter-corporate loan from AcquireCo to Seventails as a subsidiary of AcquireCo.

On 8 August 2018, the Company announced that Scott Davis will act as the Company's Chief Financial Officer.

On July 12, 2018 the Company announced it has entered into an asset purchase and sale agreement dated 3 July 2018 with Matthew Harvey carrying on business under the branding "BC Bud Depot", subject to pending CSE approval, to acquire 100% of the assets under the BCBD brand in consideration for issuance of 9,500,000 common shares of the Company at a deemed price of \$0.50 per share and \$500,000, of which \$50,000 is payable in cash and \$450,000 is payable by way of a convertible debenture issued by the Company accruing interest at 8% per annum, for an aggregate value of \$5,250,000. The outstanding principal amount and outstanding accruing interest of the Convertible Debenture shall be convertible into common shares of the Company at the price of \$0.50 per common share.

On July 12, 2018 the Company announced it has acquired, DEUTSCHE MEDIZINAL CANNABIS UG, which becomes the Company's wholly owned German subsidiary. The acquisition is in consideration of an aggregate of \$18,000 euros paid to four vendors. Nils Rehmann, a director of the Company is one of the vendors and is considered to be a "related party" within the meaning of MI 61-101 Protection of Minority Security Holders in Special Transactions and such transaction is considered to be a "related party transaction" but is exempt from the valuation and minority shareholder approval requirements thereunder by virtue of the exemptions contained in sections 5.5(a) and 5.7(a) in that the fair market value of the consideration is less than 25% of the Company's market capitalization.