

ALTA NATURAL HERBS & SUPPLEMENTS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alta Natural Herbs & Supplements Ltd.:

We have audited the accompanying consolidated financial statements of Alta Natural Herbs & Supplements Ltd. which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 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 consolidated financial position of Alta Natural Herbs & Supplements Ltd. as at October 31, 2015 and 2014, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Vancouver, British Columbia
February 25, 2016

"Buckley Dodds Parker LLP"
Chartered Professional Accountants

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current		
Cash	\$ 270,014	\$ 361,981
Receivables (Note 4)	85,072	107,488
Prepaid expenses and deposits	-	15,440
Inventory (Note 5)	68,835	117,948
	<u>423,921</u>	<u>602,857</u>
Equipment (Note 6)	<u>193,741</u>	<u>179,199</u>
	<u>\$ 617,662</u>	<u>\$ 782,056</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 108,767	\$ 53,570
Sales tax payable	2,008	3,701
Deferred revenue	-	66,205
	<u>110,775</u>	<u>123,476</u>
Equity		
Share capital (Note 9)	4,192,298	3,892,298
Share based payment revenue	55,519	55,519
Accumulated foreign currency translation differences	130,138	35,847
Deficit	<u>(3,871,068)</u>	<u>(3,325,084)</u>
	<u>506,887</u>	<u>658,580</u>
	<u>\$ 617,662</u>	<u>\$ 782,056</u>

Approved and authorized by the Board on February 25, 2016.

<u>“Jianfang Jin”</u>	Director	<u>“Haofang Song”</u>	Director
Jianfang Jin		Haofang Song	

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

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
Packaged goods sales	\$ 515,322	\$ 373,132
Food sales	135,537	-
TOTAL SALES	\$ 650,859	\$ 373,132
COST OF GOODS SOLD		
Packaged goods	440,990	312,547
Food	46,194	-
GROSS PROFIT	163,355	60,585
ADMINISTRATIVE EXPENSES		
Amortization	48,957	295
Bank charges and interest	1,274	1,843
Consulting fees	98,429	14,178
Corporate and public relations expense	25,340	19,284
Delivery, freight and express	772	356
Filing and licensing fees	-	10,457
Meals and entertainment	7,031	3,726
Office and miscellaneous	43,216	13,538
Professional fees	152,317	52,988
Rent and storage	107,131	7,200
Salaries and wages	183,546	66,133
Stock-based compensation	-	20,964
Telephone	3,647	2,635
Travel and vehicle	20,155	19,327
	691,815	232,924
LOSS BEFORE OTHER ITEMS	(528,460)	(172,339)
OTHER INCOME (EXPENSES)		
Exchange gain (loss)	(19,699)	15,289
Interest and miscellaneous income	2,175	2,874
Recovery of bad debt	-	185,843
	(17,524)	204,006
Net income (loss) for the year	\$ (545,984)	\$ 31,667
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange differences on translation of foreign operations	94,291	35,847
Comprehensive net income (loss) for the year	\$ (451,693)	\$ 67,514
Basic and diluted (loss) earnings per common share	\$ (0.02)	\$ 0.00
Weighted average number of common shares outstanding	34,818,347	31,514,237

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

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (545,984)	\$ 31,667
Items not affecting cash:		
Amortization	48,957	295
Stock-based compensation	-	20,964
Foreign currency adjustments	(29,789)	-
Changes in non-cash working capital items:		
Receivables	22,416	20,650
Inventory	49,113	(31,234)
Prepaid expenses and deposits	15,440	73,676
Deferred revenue	(66,205)	50,877
Accounts payable and accrued liabilities	53,504	12,540
Net cash provided by (used in) operating activities	<u>\$ (452,548)</u>	<u>\$ 179,435</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	\$ (33,710)	\$ (191,851)
Net cash used in investing activity	<u>\$ (33,710)</u>	<u>\$ (191,851)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issue of common shares	\$ 300,000	\$ -
Net cash provided by financing activity	<u>\$ 300,000</u>	<u>\$ -</u>
DECREASE IN CASH	<u>\$ (186,258)</u>	<u>\$ (12,416)</u>
Effect of foreign exchange on cash	\$ 94,291	\$ 35,847
Cash, beginning of period	361,981	338,550
Cash, end of period	<u>\$ 270,014</u>	<u>\$ 361,981</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplementary disclosure with respect to cash flows (Note 12)

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

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Reserves	Accumulated foreign currency translation differences	Deficit	Total
	Number	Amount				
Balance at October 31, 2013	31,514,237	\$ 3,892,298	\$ 34,555	\$ -	\$(3,356,751)	\$ 570,102
Stock-based compensation	-	-	20,964	-	-	20,964
Foreign currency translation	-	-	-	35,847	-	35,847
Net income for the year	-	-	-	-	31,667	31,667
Balance at October 31, 2014	31,514,237	\$ 3,892,298	\$ 55,519	\$ 35,847	\$(3,325,084)	\$ 658,580
Shares issued for cash	6,000,000	300,000	-	-	-	300,000
Foreign currency translation	-	-	-	94,291	-	94,291
Loss for the year	-	-	-	-	(545,984)	(545,984)
Balance at October 31, 2015	37,514,237	\$ 4,192,298	\$ 55,519	\$ 130,138	\$(3,871,068)	\$ 506,887

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Alta Natural Herbs & Supplements Ltd. (the “**Company**”) was incorporated under the Alberta Business Corporations Act on July 12, 1993 and is currently a publicly traded company listed on the TSX Venture Exchange under the symbol “AHS”. Alta Natural is a manufacturer and converter of dietary supplements and nutraceuticals (herbal, botanical and marine-based) for the natural health care products industry. The Company develops and manufactures an extensive line of dietary supplements and nutraceuticals for the supplement industry. It is a full source contract manufacturer/converter of raw material powders, with all conversion, from powders to capsules to bottling and packaging, done in one facility under strict Good Manufacturing Practice (“GMP”) guidelines.

The Company’s head office, principal address and registered and records office is Suite 118 – 7400 Moffatt Road, Richmond, British Columbia, Canada, V6Y 3G3.

These audited consolidated financial statements have been prepared by management on a 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 for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. In the event that cash flow from operations, if any, together with the proceeds from any future financings are insufficient to meet the Company’s current operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company’s best interest. This may result in a substantial reduction of the scope of existing and planned operations.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, EcoEntity Inc. Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control is obtained to the date control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

2. BASIS OF PREPARATION (CONT'D)

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported revenues and expenses during the reporting period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of receivables, valuation of share-based payments and recognition of deferred income tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash and equivalents include cash and highly liquid market instruments with original terms to maturity of less than ninety days at the time of acquisition.

Accounts Receivable

Accounts receivable is presented net of allowances for doubtful accounts. The allowance for doubtful accounts reflects estimates of probable losses in accounts receivable. The allowance is determined based on balances outstanding for over 90 days from the invoice date, historical experience and other current information. The Company extends credit to customers and distributors.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials and packaging materials: purchase cost on a weighted average basis.
- Finished goods: cost of direct materials, labour and packing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization of other equipment is calculated using the following annual rates:

Computer equipment	30%	Declining balance
Computers	55%	Declining balance
Restaurant equipment and furniture	20%	Declining balance
Leasehold improvements	5 years	Straight-line method

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

The assets and liabilities of foreign operations with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the financial period end;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity called foreign currency translation differences and in other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign exchange (cont'd)

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash has been classified under this category.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - 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 cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). 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 accumulated other comprehensive income (loss) and recognized profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities have been classified under this category.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

a) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are 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 profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

b) Non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of an asset or 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 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 specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods 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 or amortization, if no impairment loss had been recognized.

Revenue Recognition

The revenue of the Company is primarily derived from the sale of the Company's dietary supplements and nutraceutical products. Revenue is recognized at the time of shipment, at which point risks and rewards over ownership and title of transfer have passed to the customer. At the point of sale, the Company assesses whether collection of the amount billed to the customer is reasonably assured. If collection of the amount is not reasonably assured, the Company defers recognizing revenue until such point as collection is reasonably assured, usually upon receipt of payment. If the customer is not known to the Company, payment in advance is required and the revenue is recognized when the products are shipped. Revenue is recognized net of any expected sales returns. Under the Company's current policy, returns of products are not allowed unless damaged products or the wrong products have been shipped by the Company.

Revenue from the restaurant operation is recognized when the room and beverage are sold to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing 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 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.

Share-based compensation

The Company grants stock options to directors, officers, employees and consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 was issued in December 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted if the date of initial application is before February 1, 2015, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning November 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards issued but not yet effective (cont'd)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. RECEIVABLES

The Company's receivables are as follows:

	October 31, 2015	October 31, 2014
Trade receivables	\$ 80,347	\$ 107,488
GST/HST receivable	4,725	-
Total	\$ 85,072	\$ 107,488

- The average credit period on rendering of services is between 0 to 90 days. No interest is charged on outstanding trade receivables.
- All the Company's receivables are current and expected to be collected by the due date.
- In determining the recoverability of a trade receivable, management considers the history of collection from the client and any changes in credit quality of the receivable from the date the credit was initially granted.

5. INVENTORY

The Company's inventory is as follows:

	October 31, 2015	October 31, 2014
Raw materials	\$ 54,543	\$ 112,540
Work in progress	2,854	1,361
Finished Goods	11,438	4,047
Total	\$ 68,835	\$ 117,948

Inventories recognized as an expense in the year ended October 31, 2015 was \$415,532 (2014: \$294,605).

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

6. EQUIPMENT

	Computer equipment	Restaurant equipment & furniture	Leasehold improvements	Total
Cost				
Balance, October 31, 2013	\$ 2,728	\$ -	\$ -	\$ 2,728
Additions	2,467	62,251	113,793	178,511
Balance, October 31, 2014	5,195	62,251	113,793	181,239
Additions	450	17,698	15,562	33,710
Foreign exchange adjustment	396	10,592	18,782	29,770
Balance, October 31, 2015	\$ 6,041	\$ 90,541	\$ 148,137	\$ 244,719
Accumulated depreciation				
Balance, October 31, 2013	\$ 1,745	\$ -	\$ -	\$ 1,745
Depreciation	295	-	-	295
Balance, October 31, 2014	2,040	-	-	2,040
Depreciation	1,200	18,116	29,641	48,957
Foreign exchange adjustment	1	(6)	(14)	(19)
Balance, October 31, 2015	\$ 3,241	\$ 18,110	\$ 29,627	\$ 50,978
Net book value				
As at October 31, 2014	\$ 3,155	\$ 62,251	\$ 113,793	\$ 179,199
As at October 31, 2015	\$ 2,800	\$ 72,431	\$ 118,510	\$ 193,741

7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are as follows:

	October 31, 2015	October 31, 2014
Trade payables	\$ 71,959	\$ 36,870
Accrued liabilities	36,808	16,700
Total	\$ 108,767	\$ 53,570

8. RELATED PARTY TRANSACTIONS

Executive Compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and the board of directors.

ALTA NATURAL HERBS & SUPPLEMENTS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

8. RELATED PARTY TRANSACTIONS (CONT'D)

Key management personnel are those persons that have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and the board of directors.

The following compensation has been provided to key management personnel for the years ended October 31, 2015 and 2014:

	Year Ended October 31, 2015	Year Ended October 31, 2014
Accounting fees	\$ 43,181	\$ 26,066
Consulting fees	12,000	3,272
Salaries and wages – CEO and CFO	81,600	62,068
Rent	7,200	7,200
Share-based payments	-	12,579
Total	\$ 143,981	\$ 111,185

As at October 31, 2015, the Company owed \$12,498 (2014 - \$10,811) to various directors and their companies, which is included in accounts payable and accrued liabilities.

The transactions are in the normal course of operations and measured at the exchange rate amount established and agreed to by all parties.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

As at October 31, 2015, the authorized share capital of the Company is an unlimited number of common shares without nominal or par value. All issued shares, consisting only of common shares are fully paid.

b) Issued share capital:

As at October 31, 2015, the Company had issued 37,514,237 common shares.

On April 13, 2015, the Company issued 6,000,000 common shares at \$0.05 per share for total proceeds of \$300,000.

c) Stock options

The Company's stock option plan provides that the board of directors may from time to time, in its discretion, and in accordance with the TSX Venture Exchange (the "Exchange") requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase the Company's shares, provided that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the total issued and outstanding common shares of the Company. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the Exchange on the trading day immediately before the date of grant, less the discount permitted under the Exchange's policies.

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9. SHARE CAPITAL AND RESERVES (CONT'D)

c) Stock options (cont'd)

As at October 31, 2015, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

October 31, 2015	October 31, 2014	Exercise Price	Expiry Date
-	460,000	0.10	September 27, 2015
300,000	300,000	0.20	December 11, 2018
<u>300,000</u>	<u>760,000</u>		

Stock option transactions are summarized as follows:

	Year ended October 31, 2015		Year ended October 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	760,000	\$0.14	460,000	\$0.10
Granted	-	-	300,000	\$0.20
Cancelled	(30,000)	\$0.10	-	-
Expired	(430,000)	\$0.10	-	-
Balance, end of period	<u>300,000</u>	<u>\$0.20</u>	<u>760,000</u>	<u>\$0.14</u>
Options exercisable, end of period	<u>300,000</u>	<u>\$0.20</u>	<u>760,000</u>	<u>\$0.14</u>

During the year ended October 31, 2015, stock-based compensation has been recorded in the amount of \$nil (2014: \$20,964) and included in equity reserves. The amount is management's estimate of the fair value of the stock options vested in the year. The weighted average fair value of options granted during the period was approximately \$nil per option (2014: \$0.07 per option).

The stock-based compensation value was determined using the Black-Scholes option pricing model. The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The following assumptions were used for the Black-Scholes valuation of stock options granted during the years ended October 31, 2015 and 2014:

	Year ended October 31, 2015	Year ended October 31, 2014
Risk free interest rate	-	1.79%
Expected life	-	5 years
Expected volatility	-	292.43%
Dividend yield	-	0.00%

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10. SEGMENTED INFORMATION

The Company has operations in both Canada and the United States.

The breakdown of the Company's assets, liabilities and net loss by geographical region is as follows:

As at October 31, 2015	Canada	United States	Total
ASSETS			
Cash	\$ 61,563	\$ 208,451	\$ 270,014
Receivables	85,072	-	85,072
Inventory	68,835	-	68,835
Equipment	796	192,945	193,741
	216,266	401,396	617,662
LIABILITIES			
Accounts payable and accrued liabilities	97,959	10,808	108,767
Sales tax payable	-	2,008	2,008
	97,959	12,816	110,775
	314,225	414,212	728,437
October 31, 2015			
	Canada	United States	Total
Sales	\$ 515,322	\$ 135,537	\$ 650,859
Cost of sales	(440,990)	(46,514)	(487,504)
Operating expenses	(227,064)	(464,751)	(691,815)
Other Income	(17,569)	45	(17,524)
Net income (loss)	(170,301)	(375,683)	(545,984)

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Designation and valuation of financial instruments

The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash, trade receivables and trade payables approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at October 31, 2015 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	\$ 270,014	-	-	\$ 270,014

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D)

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar and while some major purchases are transacted in United States dollars, the Company has been able to pass any currency fluctuations onto the customer. As a result, the Company's exposure to foreign currency risk is minimal.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company performs ongoing credit evaluations of its trade receivables, but does not require collateral. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers and historical data. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Capital management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth and development of its operations and safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does prepare annual expenditure budgets that are updated as necessary. The annual and updated budgets are approved by the Company's Board of Directors. The Company has historically relied on financings and debt to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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12. SUPPLEMENTARY DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing or financing transactions during the years ended October 31, 2015 nor October 31, 2014.

13. INCOME TAXES

The Company has available Canadian non-capital losses of \$1,225,320 (2014 - \$1,099,600), which may be carried forward to reduce taxable income in future years. The non-capital losses expire as follows:

2026	\$	403,300
2027		171,200
2028		40,300
2029		70,600
2030		127,700
2031		4,800
2032		87,800
2033		193,900
2034		-
2035		<u>125,720</u>
	\$	<u>1,225,320</u>

The Company also has available U.S. non-capital loss of \$353,616 USD (2014 – \$79,915 USD), which may be carried forward to reduce taxable income in the future and it expires in year 2035.

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

	2015 (Canadian taxes) in CAD	2014 (Canadian taxes) in CAD	2015 (U.S. taxes) in USD	2014 (U.S. taxes) in USD
Income (loss) before income taxes	\$ (170,301)	\$ 114,514	\$ (287,023)	\$ (75,965)
Statutory income tax rates	25%	25%	15%	15%
Computed income tax recovery	\$ (42,575)	\$ 28,600	\$ (43,000)	\$ (11,400)
Permanent differences	26	5,600	130	-
Temporary differences	(2,384)	(4,900)	1,276	(600)
Net change in valuation allowance	44,933	(29,300)	41,594	12,000
Total current and future income tax recovery	\$ -	\$ -	\$ -	\$ -

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

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	2015 (Canadian taxes) in CAD	2014 (Canadian taxes) in CAD	2015 (U.S. taxes) in USD	2014 (U.S. taxes) in USD
Future income tax asset (liability)				
Non-capital loss (carry-forwards)	\$ 229,967	\$ 274,900	\$ 53,594	\$ 12,000
Undeducted financing cost	-	1,200	-	-
Equipment	-	200	-	-
	229,967	276,300	53,594	12,000
Valuation allowance	(229,967)	(276,300)	(53,594)	(12,000)
Future income tax asset, net	\$ -	\$ -	\$ -	-

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will be realized during the carry-forward period to utilize all the future tax assets.

14. SUBSEQUENT EVENT

On December 24, 2015, a total of 120,000 stock options exercisable at \$0.20 per share were cancelled.