Financial Statements of

SUMTRA DIVERSIFIED INC.

For the Nine Months Ended May 31, 2017 and 2016

(Expressed in Canadian dollars)

SUMTRA DIVERSIFIED INC.
Statements of Financial Position
As at May 31, 2017 and August 31, 2016
(Expressed in Canadian Dollars)

	May 31, 2017	Aug. 31, 2016
ASSETS		
Current		
Cash	**$ 318,745**	$ 396,702
Sundry assets and other receivables	**-**	16,774
	$ 318,745	$ 413,476
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,304**	$ 26,977
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	**2,682,048**	2,682,048
Share-based payment reserves	**1,246,855**	1,246,855
Deficit	**(3,611,462)**	(3,542,404)
	317,441	386,499
	$ 318,745	$ 413,476

APPROVED ON BEHALF OF THE BOARD:

"Robert G. Shoniker"	"Jay A. Lefton"
(Director)	(Director)

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

SUMTRA DIVERSIFIED INC. Statements of (Loss) and Comprehensive (Loss) For The Nine Months Ended May 31, 2017 and 2016 (Expressed in Canadian Dollars)	**3 months Ended May 31, 2017**	3 months Ended May 31, 2016	**9 months Ended May 31, 2017**	9 months Ended May 31, 2016
Revenues				
Interest	**$ 573**	$ 949	**$ 1,924**	$2,583
	573	949	**1,924**	2,583
Expenses				
Professional fees	**300**	1,119	**28,469**	8,733
Head office and corporate charges	**653**	534	**2,697**	14,727
Transfer agent fees	**3,059**	4,542	**7,606**	9,563
Shareholders' meetings	**1,466**	1,573	**13,764**	10,141
Management fees (note 6)	**2,400**	2,400	**7,200**	7,200
Regulatory fees	**-**	1,250	**7,246**	6,759
Directors' fees	**600**	200	**4,000**	3,200
	8,478	11,618	**70,982**	60,323
Net (Loss)	**(7,905)**	(10,669)	**(69,058)**	(57,740)
Net (Loss) and Comprehensive (Loss)	**$(7,905)**	$(10,669)	**$(69,058)**	$(57,740)
Net (Loss) per Share Basic and Diluted	**$ (0.001)**	$ (0.001)	**$ (0.01)**	$ (0.01)
Weighted Average Number of Shares Outstanding	**6,237,400**	6,237,400	**6,237,400**	6,237,400

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

SUMTRA DIVERSIFIED INC.
Statements of Changes In Equity
For The Nine Months Ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Number of Shares		Common Shares		Share-based Payment Reserves		Deficit		Shareholders' Equity
Balance at August 31, 2015	6,237,400	$	2,682,048	$	1,246,855	$	(3,457,910)	$	470,993
Net Loss	-		-		-		(57,740)		(57,740)
Balance May 31, 2016	6,237,400		2,682,048		1,246,855		(3,515,650)		413,253
Balance at August 31, 2016	6,237,400		2,682,048		1,246,855		(3,542,404)		386,499
Net Loss	**-**		**-**		**-**		**(69,058)**		**(69,058)**
Balance May 31, 2017	**6,237,400**	**$**	**2,682,048**	**$**	**1,246,855**	**$**	**(3,611,462)**	**$**	**317,441**

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

SUMTRA DIVERSIFIED INC.
Statements of Cash Flows
For the Nine Months ended May 31, 2017 and 2016
(Expressed in Canadian Dollars)

	3 months Ended May 31, 2017	3 months Ended May 31, 2016	**9 months Ended May 31, 2017**	9 months Ended May 31, 2016
Operating activities:				
Net (Loss)	**$ (7,905)**	$ (10,669)	**$ (69,058)**	$ (57,740)
Changes in non-cash working capital:				
Sundry assets and other receivables	**-**	(116)	**16,774**	2,115
Accounts payable and accrued liabilities	**1,304**	(185)	**(25,673)**	(8,392)
Net cash (used in) operating activities	**(6,601)**	(10,970)	**(77,957)**	(64,017)
Net (decrease) in cash	**(6,601)**	(10,970)	**(77,957)**	(64,017)
Cash - beginning of period	**325,346**	415,589	**396,702**	468,636
Cash - end of period	**$ 318,745**	$ 404,619	**$ 318,745**	$ 404,619

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

1. Nature of Business

Sumtra Diversified Inc. (the “Company”) was formed by amalgamation on August 30, 1978 under the laws of the province of Ontario. The business of the Company is to manage a portfolio of investments. The Company is listed on the NEX Exchange. The Company’s registered address is 181 University Avenue, Suite 800, Toronto, ON, M5H 2X7.

2. Significant Accounting Policies

(a) Statement of Compliance with IFRS

These interim financial statements have been prepared in accordance with International Accounting Standard 34, International Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and on a basis consistent with the accounting policies disclosed in the annual audited financial statements for the year ended August 31, 2016.

(b) Basis of Presentation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated statements.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at November 10, 2016, the date the Board of Directors approved these consolidated financial statements for issue.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of income (loss) and comprehensive income (loss) are prepared using the nature of expense method.

2. Significant Accounting Policies (cont'd)

(c) Functional and Presentation Currency

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the reporting parent's functional currency. The functional currency of the joint venture is also Canadian dollars.

(d) Measurement Uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

Significant areas requiring the use of estimates and assumptions include the review of asset carrying values, valuation of share-based payment reserves, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the consolidated financial statements of future periods could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings (loss) in the periods in which they become known.

2. Significant Accounting Policies (cont'd)

(e) Income Taxes

Income tax expense comprises current and deferred income taxes and is recognized in the consolidated statements of income (loss) except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The purchase and sale of financial assets is recognized using trade date accounting. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2. Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term or is so designated by the Company at initial recognition. Derivatives are also included in this category unless they are designated as hedges. The Company has designated cash under this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit and loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale Investment

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company at this time does not designate any assets as available-for-sale investments.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of operations and included in other gains and losses.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment, if any. The Company has designated sundry assets and other receivables under this category.

2. Significant Accounting Policies (cont'd)

(g) Financial Instruments (cont'd)

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured originally at fair value and then subsequently at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, the financial asset is measured at the estimated present value of future cashflows discounted at the entity's original effective interest rate. Any changes to the carrying amount of the investment are recognized in the consolidated statements of income (loss). The Company at this time does not have any financial instruments in this category.

(v) Financial liabilities at amortized cost

Financial liabilities at amortized cost are recognized initially at the amount required to be paid less, when material, a discount to reduce the financial liabilities to fair value. Subsequently, the financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. The Company at this time does not have any financial instruments in this category.

(vi) Other financial liabilities

Other financial liabilities are non-derivatives liabilities recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost each period. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

(vii) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

<u>Financial assets carried at amortized cost</u>

The loss is the difference between the amortized cost of the financial assets and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in the consolidated statement of income.

<u>Available-for-sale financial assets</u>

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.

Impairment losses on available-for-sale equity instruments are not reversed.

2. Significant Accounting Policies (cont'd)

(h) Income per Common Share

Basic income per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated using the treasury stock method, which assumes that all outstanding stock options with an exercise price below the average market price during the year are exercised and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year. Due to the loss for the years presented, all potential common shares outstanding are considered anti-dilutive and are excluded from the calculation of diluted loss per share.

(i) Stock-based Compensation

The Company has a stock-based compensation plan, which is described in note 4(b).The Company follows IFRS 2 (Share Based Payments) of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook under which the fair value of stock options to employees and directors is recognized as an expense. The fair value of the options issued by the Company is determined using the Black-Scholes option pricing model. This model requires the use of subjective assumptions, including expected stock price volatility.

Direct awards of stock to employees and stock awards granted to non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of direct awards of stock will be determined by the quoted market price of the Company's stock.

(j) Share-based Payment Reserves

Share-based payment reserves include premiums on shares issued, credits resulting from redemption or conversion of shares, fair value of stock options issued to employees and directors, unclaimed dividends, and any other contribution by shareholders in excess of amounts allocated to share capital.

(k) Revenue Recognition

The Company recognizes interest revenue when interest accrues on investments.

(l) Non-monetary Transaction

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

2. Significant Accounting Policies (cont'd)

(m) Comprehensive Income or Loss

Comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive income or loss in its consolidated statements of income and comprehensive income and in its consolidated statements of changes in equity.

Comprehensive income or loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive income or loss are shown net of tax.

The Company does not have any comprehensive income or loss items other than net income or loss.

(n) New Accounting Standards

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2016, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Accounting Standards		Effective Date
IFRS 9 – Financial Instruments	IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.	January 1, 2018

2. Significant Accounting Policies (cont'd)

(n) New Accounting Standards (cont'd)

IFRS 15 – Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized 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 recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.	January 1, 2018
IFRS 16 - Leases	This standard replaces IAS 17 Leases. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is that lessees and lessors provide relevant information in a manner that faithfully represents lease transactions and gives a basis for users of financial statements to assess its effect on the financial position, financial performance and cash flows of an entity.	January 1, 2019

The Company is in the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt the new requirements.

4. Share Capital

(a) Authorized
Unlimited common shares

	2017	2016
Issued and outstanding		
6,237,400 common shares	**$ 2,682,048**	$ 2,682,048

(b) Stock Options

The maximum number of common shares that may be reserved for issuance to any one person under the plan is 10% of the common shares outstanding at the time of the grant.

In fiscal 2016, the Company recognized stock-based compensation expense of $nil (2015 - $2,725). The 2015 expense related to the 60,000 options granted during that year and the amendment to the exercise price of 563,740 options. The stock-based compensation expense was recognized as directors' fees.

	Number	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Balance, August 31, 2014	563,740	$ 0.10	563,740	$ 0.10
Options issued	60,000	0.05	60,000	0.05
Balance, August 31, 2015 and 2016	623,740	$ 0.05	623,740	$ 0.05
Balance, May 31, 2017	**623,740**	**$ 0.05**	**623,740**	**$ 0.05**

On April 21, 2015, at the Company's Annual and Special meeting the following resolutions were ratified:

(i) Amendment to Stock Option Plan

the Company's Option Plan be amended to decrease the minimum exercise price for options granted thereunder from $0.10 per share to $0.05 per share (the "Plan Amendment");

(ii) Amendment to Stock Options

the exercise price of the 563,740 stock options previously granted to directors and officers (see note 4(b)) be reduced from $0.10 per share to $0.05 per share; and

(iii) Grant of Stock Options

the grant of 60,000 non-assignable stock options to Company's directors and officers was authorized and approved. Each option vests immediately and entitles the holder to acquire one common share at an exercise price of $0.05 per share until April 13, 2021, the same expiry date as all currently outstanding options.

5. Income Taxes

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

a) Deferred Income Tax Assets and Liabilities

No deferred tax asset has been recognized as the Company is reflecting uncertainties associated with realization of all deferred income tax assets.

The significant components of the Company's deferred tax assets are as follows:

	2016	2015
Non-capital tax losses carried forward	**$ 114,000**	$ 92,000
Other	**500**	500
	$ 114,500	$ 92,500

There were no deferred income tax liabilities as at August 31, 2016.

b) Non-capital Losses

As at August 31, 2016 the Company can carry forward non-capital losses to reduce taxable income in future years of $430,500 expiring as follows:

Year	Amount
2029	$ 18,500
2030	62,000
2031	69,000
2032	73,000
2033	56,000
2034	67,000
2036	85,000
	$ 430,500

5. Income Taxes (continued)

c) Current Income Tax Reconciliation

		2016		2015
Income tax expense (recovery) based on the combined Federal and provincial income tax rate of 26.50% (2015 – 26.50%)	**$**	**(22,000)**	$	94,000
Temporary differences		**(500)**		(13,000)
Benefit of losses carried forward		**22,500**		(48,000)
Income taxes (recovery)	**$**	**-**	$	33,000

		2016		2015
Current income tax	**$**	**-**	$	-
Deferred income tax		**-**		33,000
	$	**-**	$	33,000

6. Related Party Transaction

During the current period, $7,200 (2016 - $7,200) was paid for management fees to a shareholder, who is also an officer of the Company.

These transactions are recorded at the exchange amount agreed to by the parties and are in the normal course of business.

7. Segmented Information

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

8. Financial Instruments

(a) Fair Value

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments at fair value consist of cash, which is designated as Level 1. The fair value of the financial instruments approximates their carrying values due to their short-term nature.

(b) Financial Risk Management

Unless otherwise noted it is management's opinion that the Company is not exposed to significant credit, liquidity, interest or currency risks arising from its financial instruments.

9. Capital Disclosure

The Company's objectives when managing capital is to ensure that the Company can continue as a going concern. This requires the Company to obtain sufficient cash to maintain its day to day operations. The Company considers items included in shareholders' equity to be capital.

	May 31, 2017	August 31, 2016
Cash	**$ 318,745**	$ 396,702
Total equity	**$ 317,445**	$ 386,499

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

10. Reverse Takeover Transaction

On October 11, 2016 the Company announced it has entered into a letter of intent to acquire a 100% interest in Hygea Holdings Corp. in a reverse takeover transaction. It is expected that the transaction will be completed by way of a plan of arrangement under the Business Corporations Act (Ontario) and that the completion of the transaction would constitute a reverse take-over and change of control of the Company. The effect of this transaction on the financial statements cannot be estimated at this time.

The closing of this transaction is subject to various conditions, including due diligence, and shareholder and regulatory approval, as well as Hygea obtaining certain financings.