Consolidated Financial Statements

SOLARVEST BIOENERGY INC.

October 31, 2017

(expressed in Canadian dollars)

(Unaudited)

Responsibility for Consolidated Interim Financial Statements

The accompanying consolidated interim financial statements for Solarvest BioEnergy Inc. have been prepared by management in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited interim financial statements have been fairly presented.

The auditor of Solarvest BioEnergy Inc. has not performed a review of the unaudited interim financial statements for the three months ended October 31, 2017.

SOLARVEST BIOENERGY INC.
Consolidated statements of financial position
(expressed in Canadian dollars)

	October 31 2017 (Unaudited),	July 31 2017 (Audited)
Assets		
Current assets		
Cash and cash equivalents	**$ 123,251**	$ 201,121
Receivables	**11,183**	13,337
Prepaid expenses	**1,650**	3,160
	136,084	217,618
Capital Assets (Note 4)	**309,188**	348,598
Intellectual Property (Note 5)	**297,267**	302,972
Total Assets	**$ 742,539**	$ 869,188
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,271,688**	$ 1,293,024
Due to related party (Note 14)	**1,049,737**	939,070
Promissory note payable (Note 6)	**149,874**	148,361
Current portion of long term debt (Note 7)	**24,598**	23,355
	2,495,897	2,403,810
Long term debt (Note 7)	**199,176**	206,183
Shareholders' Equity		
Share Capital (Note 8)	**4,823,242**	4,823,242
Contributed surplus (Note 9)	**439,374**	423,543
Warrants (Note 10)	**207,804**	223,635
Deficit	**(7,422,954)**	(7,211,225)
	(1,952,534)	(1,740,805)
Total Equity and Liabilities	**$ 742,539**	$ 869,188

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statements of comprehensive loss
(expressed in Canadian dollars)
(Unaudited)

For the three months ended October 31,	**2017**	**2017**
Revenue	$ -	$ -
Expenses		
Amortization	$ 45,114	$ 48,435
Insurance	6,120	5,597
Interest expense	3,690	4,292
Office and general	13,087	7,741
Professional fees	19,611	22,284
Registration and filing fees	1,232	-
Rent and utilities	21,729	23,009
Research and development	99,337	114,473
Shareholder costs	507	1,541
Transfer agent	889	689
Travel	453	-
Foreign exchange (gain) loss	(40)	(11)
	211,729	228,050
Net Loss before other comprehensive loss	$ (211,729)	$ (228,050)
Basic and diluted loss per share (note 11)	$ (0.01)	$ (0.01)

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statement of cash flows
(expressed in Canadian dollars)
(Unaudited)

For the three months ended October 31,	**2017**	**2017**
Operating Activities		
Income (Loss) from operations	$ (211,729)	$ (228,050)
Adjustments to reconcile net loss from operating activities		
Amortization	45,114	48,435
Gain on sale of equipment	-	-
Interest on promissory note	1,513	1,512
Stock based compensation	-	-
Changes in non-cash working capital items		
(Increase) decrease in receivables	2,154	41,324
(Increase) decrease in prepaid expenses	1,510	2,205
Increase (decrease) in accounts payable and accrued liabilities	(21,335)	58,607
Increase in due to related party	10,667	11,792
	(172,106)	(64,175)
Financing Activities		
Loan payable	100,000	75,000
Repayments of Capital Improvements Loan	(5,764)	(3,600)
	94,236	71,400
Net change in cash	(77,870)	7,225
Cash, beginning of period	201,121	2,667
Cash, end of period	$ 123,251	$ 9,892

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statements of changes in equity
(expressed in Canadian dollars)
(Unaudited)

	Share Capital		Reserves			
	Number of shares	Amount $	Equity settled employee benefits $	Warrants $	Deficit $	Total
Balance, July 31, 2015	20,678,516	4,296,544	196,203	158,973	(4,729,282)	(77,562)
Private placement	1,000,000	189,297	-	60,703	-	250,000
Shares issued for services	101,700	25,425	-	-	-	25,425
Stock based compensation	-	-	136,975	-	-	136,975
Comprehensive loss for the period	-	-	-	-	(1,565,816)	(1,565,816)
Balance, July 31, 2016	21,780,216	4,511,266	333,178	219,676	(6,295,098)	(1,230,978)
Comprehensive loss for the period	-	-	-	-	(228,050)	(228,050)
Balance, October 31, 2016	21,780,216	4,511,266	333,178	219,676	(6,523,148)	(1,459,028)
Private placement	1,680,000	311,976	-	94,324	-	406,300
Expiry of warrants	-	-	90,365	(90,365)		-
Comprehensive loss for the period	-	-	-	-	(688,077)	(688,077)
Balance, July 31, 2016	23,460,216	4,823,242	423,543	223,635	(7,211,225)	(1,740,805)
Expiry of warrants	-	-	15,831	(15,831)	-	-
Comprehensive loss for the period	-	-	-	-	(211,729)	(211,729)
Balance, October 31, 2017	23,460,216	4,823,242	439,374	207,804	(7,422,954)	(1,952,534)

See accompanying notes to the financial statements

1. Nature of operations and continuance of operations

The Company was incorporated under the Business Corporations Act (BC) on November 9, 2005. The principal business of the Company is the development of its algal-based production system to produce natural based "green" commercial products. The focus of the Company has moved from the longer term sustainable production of hydrogen to the use of specially selected algal strains to produce nutritional products, oils and biologic therapies. The address of the Company's registered office is 439 Helmcken Street, Vancouver B.C. V6B 2E6. To date the Company has not earned significant revenues and is considered to be in the development stage.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Phycobiologics (Europe) Limited ("Phyco Europe"), Phyco Hydrogen Inc. ("PHI"), and Solarvest (P.E.I.) Inc. ("PEI"). All significant inter company accounts and transactions have been eliminated upon consolidation.

The Company has financed its activities to date through the issuance of common shares and continues to seek capital through various means including the issuance of equity and/or debt.

These consolidated financial statements have been prepared 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 secure adequate financing and to commence profitable operations in the future:

	October 31, 2017	July 31 2017
Working capital (deficiency)	$ (2,359,813)	$ (2,186,192)
Deficit	$ (7,422,954)	$ (7,211,225)

2. Basis of presentation

These consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

3. Significant accounting policies

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended July 31, 2017. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements. These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, and were approved by the Board of Directors on December 20, 2017.

(expressed in Canadian dollars)

4. Capital Assets

October 31, 2017

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 883,802	$ 632,443	$ 251,359
Computer	16,830	16,830	-
Leasehold Improvements	520,255	462,426	57,829
	$ 1,420,887	$ 1,111,699	$ 309,188

July 31, 2017

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 883,802	$ 619,045	$ 264,757
Computer	16,830	16,830	-
Leasehold Improvements	520,255	436,414	83,841
	$ 1,420,887	$ 1,072,289	$ 348,598

5. Intellectual Property

The Intellectual property consists of the acquisition costs of worldwide exclusive rights, subject to limited exceptions, to an Inducible Chloroplast Gene Expression System, through the acquisition of the shares of Phyco Europe, the issuance of Class B common shares of PHI, the subsequent repurchase of the Class B common shares of PHI and patent acquisition costs. Component costs have been summarized below:

	October 31, 2017	**July 31 2017**
Acquisition of shares of Phyco Europe	$ 146,886	$ 146,886
Issuance of Class B Common Shares of PHI	10	10
Acquired pursuant to acquisition of shares of PHI	144,426	144,426
Patent acquisition costs	95,011	95,011
Kohilo's Patent acquisition costs	102,643	102,643
	488,976	488,976
Accumulated amortization	191,709	186,004
Net Book Value	$ 297,267	$ 302,972

(expressed in Canadian dollars)

6. Promissory Note Payable

The Company received $100,000 by issuing a promissory note to a director of the Company. The promissory note is unsecured and was issued on July 15, 2009 bearing an interest rate of 6% compounded annually. The note is due on demand. Interest of $49,874 has been accrued to October 31, 2017 (July 31, 2017 - $48,361).

7 Long-term debt

	October 31 2017	July 31, 2017
0% ACOA loan, due March 1, 2025, repayable in monthly installments of $1,200 beginning May 1, 2015	$ 108,000	$ 111,600
7% first time entrepreneur loan, due February 2026, repayable in monthly interest installments of $695 until March, 2017. From March, 2017 the loan is payable in monthly blended installments of $1,498	115,774	117,938
	223,774	229,538
Less: Current portion	24,598	23,355
	$ 199,176	$ 206,183

On January 23, 2013, the Company entered into an agreement with Atlantic Canada Opportunities Agency (ACOA) whereby ACOA agreed to loan 50% of the value of eligible capital assets incurred on the newly leased premises estimated to be $789,000. On March 25, 2015, the loan agreement was amended under same terms and conditions except that the monthly repayment amount is changed to $1,200 per month commencing May 1, 2015. This loan is unsecured.

On February 5, 2016, the Company entered into a loan agreement with Active Communities Lending Inc. ("ACLI"), a PEI corporation. The loan agreement was amended in March 3, 2016 whereby the loan was increased from $100,000 to $120,000. The loan is secured by a chattel asset equipment and bears interest at 7% per annum, calculated daily, not in advance and has a term of 10 years maturing on February 4, 2026.

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

Year ending July 31,	2018	24,598
	2019	25,336
	2020	26,119
	2021	26,960
	2022 and subsequent	120,743

(expressed in Canadian dollars)

8. Share capital

Authorized share capital

At October 31, 2017, the authorized share capital consisted of unlimited number of common shares and the issued share capital amounted to $4,823,242. The common shares do not have a par value. All issued shares are fully paid.

Fiscal year ended July 31, 2017

On February 8, 2017, the Company closed a non-brokered private placement of 1,000,000 Units at a price of $0.25 per unit for gross proceeds of $250,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of two years from date of issuance and include an acceleration clause that is triggered by a 20 day volume weighted average share price of $0.95 per share.

On July 7, 2017, the Company closed a non-brokered private placement of 680,000 Units at a price of $0.25 per unit for gross proceeds of $170,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of two years from date of issuance and include an acceleration clause that is triggered by a 20 day volume weighted average share price of $0.95 per share. The Company paid $13,600 in commissions and issued 54,400 broker warrants valued at $2,404.

Fiscal year ending July 31, 2018

There were no share activity during the three months ended October 31, 2017.

Other Commitments to Issue Shares

As at October 31, 2017, the Company was obligated to issue up to a total of 500,000 shares pursuant to the project having reached a level in research whereby hydrogen production can be brought to viable commercial production through a method of controlling key genes in algae which will result in continuous production of hydrogen.

9. Share Options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statement of loss and comprehensive loss using the Black Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. 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 measure of the fair value of the Company's share purchase options.

The following table reflects the actual share options issued and outstanding as at October 31, 2017.

	No. of options Outstanding and Exercisable	Exercise Price	Expiry Date
	970,000	0.30	February 18, 2021

(expressed in Canadian dollars)

10. Warrants

In connection with the private placement between December 4, 2015 and April 6, 2016, the Company issued 600,000 warrants to subscribers. These warrants expired between June 4, 2017 and October 5, 2017 respectively and has a fair value of $40,336 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 72% to 87% and an expected life of 1.5 years.

On May 19, 2017, these warrants were extended for an additional twelve (12) months and will expire between June 4, 2018 to October 5, 2018 with all other terms and conditions, including the exercise price of $0.35 per share remaining unchanged.

In connection with the private placement on February 8, 2017, the Company issued 1,000,000 warrants to subscribers. These warrants expired on February 8, 2019 and has a fair value of $69,700 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.00%; dividend yield - 0%; expected stock volatility - 87% and an expected life of 2 years.

In connection with the private placement on July 7, 2017, the Company issued 680,000 warrants to subscribers. These warrants expired on July 7, 2019 and has a fair value of $22,600 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.00%; dividend yield - 0%; expected stock volatility - 87% and an expected life of 2 years. The Company paid $13,600 in commissions and issued 54,400 broker warrants valued at $2,404 using the same assumptions as described above.

The warrants outstanding as at October 31, 2017 is summarized below:

	No. of warrants Outstanding and Exercisable	**Exercise Price**	**Expiry Date**
	300,000	0.35	June 4, 2018
	100,000	0.35	August 4, 2018
	200,000	0.35	October 5, 2018
	1,000,000	0.35	February 8, 2019
	734,400	0.35	July 7, 2019
	2,334,400		

(expressed in Canadian dollars)

11. Loss per share

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the three months ended October 31, 2017 and 2016 were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

	2017	2016
Loss	$ (211,729)	$ (228,050)
Weighted average number of common shares outstanding for the period	23,460,216	20,780,216
Loss per share	$ (0.01)	$ (0.01)

Diluted loss per share did not include the effect of the share options and warrants outstanding respectively as they are anti dilutive.

12. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.

The Company's cash is held with high credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and funding receivables from ACOA, a governmental agency.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at October 31, 2017, the Company had cash of $123,251 and is insufficient to settle current liabilities of $2,495,897 which have contractual maturities of less than 30 days and are subject to normal trade terms.

12. Financial Instruments - continued

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The company has cash and has a fixed interest rate bearing promissory note payable as a debt instrument. The Company's current policy is to invest excess cash in investment grade short term certificates of deposit issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Foreign exchange rate risks

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative activities in United States by using US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

13. Capital Management

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to ensure the Company's on going growth of the business.

The Company considers the promissory note payable and the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debts, or return capital to shareholders. As of October 31, 2017, the Company has an unsecured promissory note payable (See Note 6) and is not subject to externally imposed capital requirements.

(expressed in Canadian dollars)

14. Related Party Transactions

The Company entered into the following transactions with related parties during the three months ended October 31, 2017 and October 31, 2016.

(a) Received advances of $10,788 (2016 - $11,772) from a director of the Company.
(b) Accrued interest of $1,513 (2016 - $1,513) due on the promissory note held by a director of the Company.
(c) Incurred and accrued $11,011 (2016 - $16,644) of legal fees to a legal firm where a principal is a director of the Company.
(d) During the three months ended October 31, 2017 the Company accrued fees of $6,000 to the CFO for accounting services (2016 - $6,000).

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

Included in accounts payable and accrued liabilities is $205,909 (July 31, 2017 - $202,858) due to a company controlled by a director and $135,999 (July 31, 2017 - $135,999) due to directors of the Company.

Included within the due to a related party balance is $749,616 (July 31,,2017 - $738,829) due to Gerri Greenham (a control person of the Company), $240,000 (July 31, 2017 - $140,000) due to another shareholder, as well as $60,241 (July 31, 2017 - $60,241) owed to Kohilo Bio Inc., a company controlled by an employee and a director within the consolidated group of companies of Solarvest BioEnergy Inc.

The unsecured promissory note payable in the amount of $149,874 (July 31, 2017 - $148,361) is also due to Gerri Greenham. The note bears interest at 6% compounded annually and is due on demand.

15. Research and development and Contingent liabilities

Atlantic Innovation Fund

As at October 31, 2017, the Company received funding of $1,999,375 from ACOA through the Atlantic Innovation Fund. Under terms of the agreement, these funds are contingently repayable on a royalty basis of 5% of gross revenue from the above project beginning March 31, 2015. The company did not meet the repayment conditions in 2017 or prior years.

Business Development Program

As at October 31, 2017, the Company has received funding of $377,927 from ACOA through the Business Development Program. Under the terms of the agreement, these funds are contingently repayable on a royalty basis of 2.5% of gross revenue from the above project beginning March 31, 2015. The company did not meet the repayment conditions in 2017 or prior years.

18. Commitments

The future minimum rental lease payments for the next three years under an operating lease expiring in December 31, 2018 is as follows:

Year ending July 31	2018	54,000
	2019	22,500