# ESSEX ANGEL CAPITAL INC.

Condensed Interim Financial Statements

Nine Month Period Ended May 31, 2016

(Unaudited - Expressed in Canadian dollars)

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Stands for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

**ESSEX ANGEL CAPITAL INC.**
Condensed interim statements of financial position
(Unaudited - Expressed in Canadian dollars)

| | May 31, 2016 $ | August 31, 2015 $ |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 1,450 | 1,183 |
| Prepaid expenses | 388 | 5,422 |
| Total current assets | 1,838 | 6,605 |
| Non-current assets | | |
| Investments (Note 3) | 671,200 | 689,541 |
| Total assets | 673,038 | 696,146 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 4 and 5) | 159,790 | 83,502 |
| Subscriptions payable | 35,000 | - |
| Total current liabilities | 194,790 | 83,502 |
| Non-current liabilities | | |
| Note payable (Note 4) | 133,200 | 133,200 |
| Total liabilities | 327,990 | 216,702 |
| Shareholders' equity | | |
| Share capital | 3,574,942 | 3,574,942 |
| Share-based payment reserve | 647,632 | 647,632 |
| Deficit | (3,877,526) | (3,743,130) |
| Shareholders' equity | 345,048 | 479,444 |
| Total liabilities and shareholders' equity | 673,038 | 696,146 |

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 13)

Approved for issuance on behalf of the Board of Directors on August 2, 2016.

## ESSEX ANGEL CAPITAL INC.

Condensed interim statements of operations and comprehensive loss
For the three and nine month periods ended May 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

| | The three months ended | | The nine months ended | |
|---|---|---|---|---|
| | May 31, 2016 $ | May 31, 2015 $ | May 31, 2016 $ | May 31, 2015 $ |
| | | (Restated – Note 13) | | (Restated – Note 13 |
| Expenses | | | | |
| Director and management compensation (Note 5) | - | - | - | 20,351 |
| Filing fees | 5,950 | 5,488 | 11,056 | 14,992 |
| General and administrative expenses (Note 5) | 15,768 | 12,005 | 52,403 | 25,258 |
| Professional fees | 4,725 | 24,724 | 14,175 | 46,780 |
| Total expenses | 26,443 | 26,514 | 77,634 | 107,381 |
| Loss before other income (expense) | (26,443) | (26,514) | (77,634) | (107,381) |
| Other income (expense) | | | | |
| Adjustments to fair value of investments (Note 3) | 13,742 | (956,322) | (54,510) | 458,128 |
| Interest expense | (3,321) | (3,781) | (9,963) | (11,281) |
| Unrealized foreign exchange gain (loss) | - | (1) | 7,711 | (1,506) |
| Total other income (expense) | 10,421 | (961,225) | (56,762) | 444,219 |
| Net income (loss) and comprehensive income (loss) for the period | (16,022) | (1,003,442) | (134,396) | 336,838 |
| Deficit, beginning of period | (3,861,504) | (4,534,247) | (3,743,130) | (3,867,643) |
| Deficit, end of period | (3,877,526) | (3,530,805) | (3,877,526) | (3,530,805) |
| Income (loss) per share, basic | (0.00) | (0.10) | (0.01) | 0.03 |
| Income (loss) per share, fully diluted | (0.00) | (0.05) | (0.01) | 0.02 |
| Weighted average number of shares outstanding | 10,838,333 | 10,838,333 | 10,838,333 | 10,838,333 |

(The accompanying notes are an integral part of these financial statements)

**ESSEX ANGEL CAPITAL INC.**
Condensed interim statements of cash flows
(Expressed in Canadian dollars)

| | The nine months ended | |
|---|---|---|
| | May 31, 2016 $ | May 31, 2015 $ |
| Operating activities | | |
| Net income (loss) for the period | (134,396) | 336,838 |
| Items not involving cash: | | |
| Adjustments to fair value of investments | 54,510 | (458,128) |
| Unrealized foreign exchange loss | (8,959) | - |
| Debenture interest expense | 9,963 | 23,446 |
| Changes in non-cash operating working capital: | | |
| Prepaid expenses | (5,034) | 4,256 |
| Accounts payable and accrued liabilities | 76,288 | (28,470) |
| Net cash used in operating activities | (7,628) | (120,937) |
| Investing activities | | |
| Acquisition of investments | (27,105) | (173,993) |
| Net cash used in investing activities | (27,105) | (173,993) |
| Financing activities | | |
| Subscriptions payable | 35,000 | - |
| Net cash provided by financing activities | 35,000 | - |
| Increase (decrease) in cash and cash equivalents | 267 | (264,577) |
| Cash and cash equivalents, beginning of period | 1,183 | 265,090 |
| Cash and cash equivalents, end of year | 1,450 | 513 |
| Cash and cash equivalents is comprised of: | | |
| Cash held in bank | 1,450 | 513 |
| Cash held in brokerage account | - | – |
| | 1,450 | 62,008 |

| | | |
|---|---|---|
| Supplemental disclosures: | | |
| Interest paid | – | – |
| Income taxes paid | – | – |

(The accompanying notes are an integral part of these financial statements)

## ESSEX ANGEL CAPITAL INC.

Condensed interim statements of changes in shareholders' equity
For the nine months ended May 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

| | Number of Common Shares | Share Capital $ | Contributed Surplus | Stock Options $ | Finders' Warrants $ | Deficit $ | Total Shareholders' Deficiency $ |
|---|---|---|---|---|---|---|---|
| **Balance, August 31, 2014** | 10,838,333 | 3,574,942 | 647,632 | - | - | (3,867,643) | 354,931 |
| Contributed surplus | - | - | (647,632) | 436,933 | 210,699 | - | - |
| Income for period | - | - | - | | | 336,838 | 336,838 |
| **Balance, May 31, 2015** | 10,838,333 | 3,574,942 | - | 436,933 | 210,699 | (3,530,805) | 691,769 |
| **Balance, August 31, 2015** | 10,838,333 | 3,574,942 | 647,632 | - | - | (3,743,130) | 479,444 |
| Loss for period | - | - | - | - | - | (134,396) | (134,396) |
| **Balance, May 31, 2016** | 10,838,333 | 3,574,942 | 647,632 | - | - | (3,877,526) | 345,048 |

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Operations and Continuance of Business

Essex Angel Capital Inc. (the “Company”) was incorporated on February 10, 2010 pursuant to the Canada Business Corporations Act. The Company completed its initial public offering (“IPO”) on December 7, 2010, and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "EXC". The Company’s stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at May 31, 2016, the Company has a working capital deficit of $192,952 and an accumulated deficit of $3,877,526. As the Company does not have recurring revenue streams, its ability to continue to meet its obligations as they fall due depends on the Company's ability to raise funds from the issue of common shares or debt of the Company. The Company is taking specific steps to raise such funds or secure such cash flows but as of the date of approval of the financial statements there is material uncertainty related to the above. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounts Standards 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 IFRS Interpretations Committee (“IFRIC”).

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(b) Use of Estimates

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

Significant areas requiring the use of estimates include the valuation and recoverability of investments, fair value of share-based compensation, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to assess whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

**2. Significant accounting policies** *(*continued*)*

(d) Financial Instruments

(i) Non-derivative financial assets

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

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

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

*Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and cash equivalents and investments are classified as fair value through profit or loss.

*Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any assets classified as loans and receivables.

**2. Summary of Significant Accounting Policies** (continued)

(d) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

*Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

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

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

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

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

**2. Summary of Significant Accounting Policies** (continued)

(d) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

(iii) Share capital

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

(e) Revenue Recognition

As an investment company, the Company may earn revenue in the form of interest or dividends which derive from its investments or from cash on hand. Investment income includes interest, dividends, and realized gains on the sale of investments. Revenue is recognized only when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

(f) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the statement of operations.

(g) Income Taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**2. Summary of Significant Accounting Policies** (continued)

(h) Loss Per Share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at February 29, 2016, the Company had 8,761,333 (2014 – 8,761,333) potentially dilutive shares outstanding.

(i) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations. As at February 29, 2016 and February 28, 2015, the Company had no items that represent comprehensive income or loss.

(j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(k) Accounting Standards Issued But Not Yet Effective

The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended February 29, 2016:

- IAS 1 — The amendment improves the effectiveness of presentation and disclosure in financial reports with the objective of reducing immaterial note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016.

- IAS 16 and IAS 38 — The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The amendments are effective for annual periods beginning on or after January 1, 2016.

(Unaudited - Expressed in Canadian dollars)

**2. Summary of Significant Accounting Policies** (continued)

- IFRS 9 — New standard that replaces IAS 39 for classification and measurement of financial instruments. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 — New standard that establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Company is currently in the process of reviewing the standards to determine the impact on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**3. Investments**

For the period ended May 31, 2016:

| | Balance, August 31, 2015 $ | Acquisition $ | Adjustments to fair value $ | Disposition $ | Foreign exchange adj. $ | Balance, May 31, 2016 $ |
|---|---|---|---|---|---|---|
| Equities | | | | | | |
| Zivo Bioscience Inc. | 109,938 | - | (44,842) | - | 9,064 | 74,160 |
| Targeted Microwave Solutions Inc. | 74,000 | - | (24,400) | - | - | 49,600 |
| Valparaiso Energy Inc. | 7,515 | - | (1,879) | - | - | 5,636 |
| LeenLife International Inc. | 385,000 | - | 52,500 | - | - | 437,500 |
| Imperus Technologies Corp. | 16,005 | - | (5,820) | - | - | 10,185 |
| M Pharmaceuticals Inc. | 11,000 | - | (7,500) | - | - | 3,500 |
| SciVac Therapeutics Inc. | 61,440 | - | (26,880) | - | - | 34,560 |
| Blueocean Nutrasciences Inc. | 12,355 | - | (6,177) | - | - | 6,178 |
| Moseda Technologies Inc. | - | 15,105 | 4,395 | - | - | 19,500 |
| Columbus Energy Ltd. | - | 12,000 | (1,000) | - | - | 11,000 |
| Total equities | 677,253 | 27,105 | (61,603) | - | 9,064 | 651,819 |
| Warrants | | | | | | |
| Imperus Technologies Corp. | 2,329 | - | (1,759) | - | - | 570 |
| M Pharmaceuticals Inc. | 9,959 | - | (9,939) | - | - | 20 |
| Moseda Technologies Inc. | - | - | 2,686 | - | - | 2,686 |
| Columbus Energy Inc. | - | - | 2,363 | - | - | 2,363 |
| Total warrants | 12,288 | - | (6,649) | - | - | 5,639 |
| Total investments | 689,541 | 27,105 | (68,252) | - | 9,064 | 657,458 |

(Unaudited - Expressed in Canadian dollars)

**3. Investments** (continued)

For the year ended August 31, 2015:

| | Balance, August 31, 2014 $ | Acquisition $ | Adjustments to fair value $ | Disposition $ | Foreign exchange gain $ | Balance, August 31, 2015 $ |
|---|---|---|---|---|---|---|
| Equities | | | | | | |
| Zivo Bioscience Inc. | 96,677 | - | (30,617) | - | 18,297 | 84,357 |
| Targeted Microwave Solutions Inc. | 82,000 | - | (32,400) | - | - | 49,600 |
| Valparaiso Energy Inc. | 52,604 | - | (46,968) | - | - | 5,636 |
| LeenLife International Inc. | 35,000 | - | 402,500 | - | - | 437,500 |
| Imperus Technologies Corp. | - | 20,741 | (11,389) | (622) | - | 8,730 |
| M Pharmaceuticals Inc. | - | 1,134 | 1,366 | – | - | 2,500 |
| SciVac Therapeutics Inc. | - | 89,740 | (32,521) | (22,659) | - | 34,560 |
| Blueocean Nutrasciences Inc. | - | 48,243 | (3,279) | (15,493) | - | 36,029 |
| Total equities | 266,281 | 159,858 | 246,692 | (38,774) | 18,297 | 658,912 |
| Warrants | | | | | | |
| LED Medical Diagnostics Inc. | 58,266 | - | (41,466) | (16,800) | - | - |
| Imperus Technologies Corp. | - | 14,259 | (11,930) | - | - | 2,329 |
| M Pharmaceuticals Inc. | - | 18,866 | (8,907) | - | - | 9,959 |
| Total warrants | 58,266 | 33,125 | (62,303) | (16,800) | - | 12,288 |
| Total investments | 324,547 | 192,983 | 184,389 | (55,574) | 18,297 | 671,200 |

The Company's investments are comprised of the following debt and equity instruments:

(a) Zivo Bioscience Inc. ("Zivo") (formerly Health Enhancement Products Inc.)

Until August 19, 2013, the Company held US$1,350,000 of subordinated secured convertible debentures of Wellness Indicators Inc. ("Wellness"), acquired between July 2011 and April 2012, maturing on dates through July 2015, and bearing interest at rates of 6.0% or 8.0%.

On April 18, 2013, the Company exercised its rights to realize upon its senior security interest in the assets and property of Wellness (the "Collateral") and undertook foreclosure proceedings. On August 19, 2013, the Company was able to secure the Collateral pursuant to its security interest that it shared pro rata with certain other minority senior lenders of Wellness. Immediately upon foreclosure, the Company sold the Collateral to Zivo, a health and wellness company quoted on the OTC Bulletin Board, in exchange for 1,792,315 common shares of Zivo, with a fair value of $834,126. The Company recognized a loss on the disposition of Wellness of $53,004.

On December 20, 2013, the Company entered into five debt settlement agreements with related parties resulting in the Company distributing 1,107,409 common shares of Zivo to settle amounts outstanding of $343,296. These common shares had a fair value of $413,949 based on the end of day share price on the date of the settlements, resulting in the Company recording a loss on settlement of debt of $70,653.

(b) Targeted Microwave Solutions Inc. ("TMS") (formerly Microcoal Technologies Inc.)

On November 8, 2013, the Company acquired 400,000 common shares of TMS for $100,000, which was settled with the issuance of a note payable. Refer to Note 4. In December 2015, TMS completed a 4 to 1 consolidation.

**3. Investments** (continued)

(c) LED Medical Diagnostics Inc. ("LED Medical")

On November 8, 2013, the Company acquired 200,000 share purchase warrants of LED Medical for consideration of $50,000, which was settled with the issuance of a note payable. Refer to Note 4. Each warrant may be exercised at a price of $0.20 per common share of LED Medical until June 20, 2015.

As at August 31, 2014, the fair value of the Company's investment in LED Medical was $58,266, calculated using the Black Scholes pricing model using the following assumptions: expected life of 0.8 years, expected volatility of 77%, and a risk-free interest rate of 1.00%.

On June 20, 2015, the Company transferred 200,000 share purchase warrants of LED Medical to settle notes payable of $16,800. Refer to Note 4.

(d) Valparaiso Technologies Inc. ("Valparaiso")

On February 19, 2014, the Company acquired a convertible debenture of Valparaiso for proceeds of $25,050, where the debenture is convertible into common shares of Valparaiso at $0.033 per common share. As consideration for investing in the convertible debenture of Valparaiso, the Company received an additional 751,500 common shares of Valparaiso. On March 18, 2014, the Company exercised its right to convert the debenture into 751,500 common shares of Valparaiso. During the year ended August 31, 2015, Valparaiso consolidated its common shares on a one-for-four basis, where the Company's 1,503,000 common shares of Valparaiso was adjusted to 375,750 common shares.

(e) LeenLife Pharma International Inc. ("LeenLife") (formerly SPT Sulphur Polymer Technologies Inc.)

On August 19, 2014, the Company acquired 1,750,000 common shares in LeenLife for $35,000.

(f) Imperus Technology Corp. ("Imperus")

On January 26, 2015, the Company acquired 100,000 units of Imperus for $35,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of $0.55 per share until January 28, 2018. On April 27, 2015, the Company sold 3,000 common shares of Imperus for proceeds of $1,450.

As at August 31, 2015, the fair value of the Company's investment in the share purchase warrants of Imperus was $570 (August 31, 2015 - $2,329), calculated using the Black Scholes pricing model using the following assumptions: expected life of 1.9 years, expected volatility of 102%, and a risk-free interest rate of 0.5%.

(g) M Pharmaceuticals Inc. ("M Pharma")

On February 6, 2015, the Company acquired 1,000,000 units of M Pharma for proceeds of $20,000, which was subsequently consolidated on a one-for-ten basis to 100,000 units. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of $0.50 per share until February 6, 2017.

As at February 29, 2016, the fair value of the Company's investment in the share purchase warrants of M Pharma was $20 (August 31, 2015 - $nil; September 1, 2013 - $nil), calculated using the Black Scholes pricing model using the following assumptions: expected life of .9 years, expected volatility of 108%, and a risk-free interest rate of 0.5%.

(h) SciVac Therapeutics Inc. ("SciVac")

In February 2015, the Company acquired 250,000 common shares of Levon Resources Inc. ("Levon") for proceeds of $71,193. In May 2015, the Company sold 34,000 common shares of Levon for proceeds of $14,308. On July 9, 2015, pursuant to a plan of arrangement between Levon and SciVac, each common share of Levon was exchanged for one common share of SciVac and one-half of a common share of Levon ("New Levon"). As a result of the plan of arrangement, the Company exchanged 216,000 common shares of Levon for 216,000 common shares of SciVac and 108,000 common shares of New Levon. On July 14, 2015, the Company sold 108,000 common shares of New Levon for proceeds of $19,235. On July 15, 2015, the Company acquired 40,000 common shares of SciVac for $18,548.

**3. Investments** (continued)

(i) Blueocean Nutrasciences Inc. (“Blueocean”)

In April 2015, the Company acquired 260,000 common shares in Blueocean for $48,243. In May 2015, the Company sold 83,500 common shares of Blueocean for proceeds of $14,595.

(j) Moseda Technologies Inc. ("Moseda")

On September 24, 2015, the Company acquired 100,000 units of Modesa for consideration of $15,105. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of $0.25 per share for one year.

As at May 31, 2016, the fair value of the Company’s investment in the share purchase warrants of Modesa was $2,686 (August 31, 2015 - $nil), calculated using the Black Scholes pricing model using the following assumptions: expected life of .50 years, expected volatility of 104.52%, and a risk-free interest rate of 0.5%.

(k) Columbus Energy Ltd. ("Columbus")

On November 2, 2015, the Company acquired 200,000 units of Columbus for consideration of $12,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of $0.08 per share for one year.

As at May 31, 2016, the fair value of the Company’s investment in the share purchase warrants of Columbus was $2,363 (August 31, 2015 - $nil), calculated using the Black Scholes pricing model using the following assumptions: expected life of .67 years, expected volatility of 103%, and a risk-free interest rate of 0.5%.

**4. Note Payable**

On November 8, 2013, the Company issued a note payable for $150,000 to acquire 400,000 common shares of TMS with a fair value of $100,000, and 200,000 share purchase warrants of LED Medical with a fair value of $50,000. Refer to Notes 3(b) and (c). The note payable is unsecured, bears interest at 10% per annum, and is due on November 8, 2018. In the event that the Company sells a portion of the investment before the maturity date, the portion of the principal related to the investment sold shall be immediately due and payable. On June 20, 2015, the Company settled $16,800 of the note payable in exchange for the transfer of 200,000 share purchase warrants of LED Medical. Refer to Note 3(c). As part of the settlement, the acceleration clause for the remaining $33,200, which represents the remaining portion of the principal related to the share purchase warrants of LED Medical, was waived by the note holder.

As at May 31, 2016, the Company has accrued $36,858 (August 31, 2015 - $26,895) of interest payable which has been recorded in accounts payable and accrued liabilities.

**5. Related Party Transactions**

(a) During the six months ended May 31, 2016, the Company incurred professional fees of $9,450 (2015 - $Nil) to the Chief Financial Officer of the Company. As at May 31, 2016, accounts payable and accrued liabilities includes $9,450 (August 31, 2015 - $nil) owing to the Chief Financial Officer of the Company, which is non-interest bearing, unsecured, and due on demand.

(b) During the nine months ended May 31, 2016, the Company incurred director and management compensation of $Nil (2015 - $20,351) to the former President of the Company. As at May 31, 2016, accounts payable and accrued liabilities includes $Nil (November 30, 2014 - $20,351) owing to the former President of the Company, which was non-interest bearing, unsecured, and due on demand.

**6. Share Capital**

Authorized: Unlimited common shares without par value

There were no capital stock transactions during the nine months ended May 31, 2016 or the year ended August 31, 2015.

(Unaudited - Expressed in Canadian dollars)

## 7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding, August 31, 2014 | 9,111,333 | 0.17 |
| Expired | (350,000) | 2.00 |
| Outstanding, August 31, 2015 and May 31, 2016 | 8,761,333 | 0.10 |

As at February 29, 2016, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price $ | Expiry date |
|---|---|---|
| 8,761,333 | 0.10 | January 7, 2017 |

## 8. Stock Options

The Company has adopted an incentive stock option plan in accordance with policies of TSX-V (the "Stock Option Plan") whereby the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares exercisable for the period of up to ten years. In addition, the number of common shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee, and consultant and all other terms and conditions of the option, subject to the rules of the TSX-V.

The following table summarizes the continuity of the Company's stock options:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, August 31, 2014 | 94,257 | 2.00 |
| Forfeited | (94,257) | 2.00 |
| Outstanding, August 31, 2015 and May 31, 2016 | – | – |

**9. Financial Instruments and Risks**

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at May 31, 2016 as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $ | Significant other observable inputs (Level 2) $ | Significant unobservable inputs (Level 3) $ | Balance, May 31, 2016 $ |
| Cash and cash equivalents | 1,450 | – | – | 1,450 |
| Investments | 665,561 | 5,639 | – | 671,200 |
| | 667,011 | 5,639 | – | 672,650 |

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

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

(c) Foreign Exchange Rate

The Company operates in Canada, but held an investment in a US-based publicly-traded company denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. A 10% change in the exchange rate would change the Canadian dollar value of these assets by approximately $7,400.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Market Risk

The Company's investments in Zivo, TMS, Valparaiso, LeenLife, Imperus, M Pharma, SciVac, Blueocean, Modesa and Columbus are in the form of publicly traded shares and the additional investments in Imperus, M Pharma, Modesa and Columbus are in the form of share purchase warrants of publicly traded companies, of which the market values may fluctuate.

(f) Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash and cash equivalents to satisfy short-term liabilities in highly liquid investments.

(Unaudited - Expressed in Canadian dollars)

## 10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the period ended February 29, 2016.

## 11. Income Taxes

As at May 31, 2016, the Company has capital losses carried forward of $161,319 and non-capital losses carried forward of $3,703,367, which are available to offset future years' taxable income. The non-capital losses expire as follows:

| | $ |
|---|---|
| 2031 | 551,000 |
| 2032 | 596,094 |
| 2033 | 1,678,634 |
| 2034 | 632,258 |
| 2035 | 245,381 |
| | 3,703,367 |

## 12. Restatement

The Company has restated its financial statements as at and for the nine months ended May 31, 2015 to reflect a change in the valuation of the investment in Valparaiso to include an additional 751,500 pre-split common shares which was not recorded in the prior year. The effects of the restatement resulted in a decrease in the net loss for the period ended May 31, 2015 of $11,273, and an increase in total assets of $11,273.

The impact of the restatement is summarized as follows:

<u>Statement of Financial Position</u>

| | As at May 31, 2015 | | |
|---|---|---|---|
| | As previously reported $ | Adjustment $ | As restated $ |
| ASSETS | | | |
| Investments | 887,619 | 11,273 | 898,892 |
| Total assets | 889,844 | 11,273 | 901,117 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | | |
| Shareholders' deficit | | | |
| Deficit | (3,542,078) | 11,273 | (3,530,805) |
| Total shareholders' equity | 680,496 | 11,273 | 691,769 |
| Total liabilities and shareholders' equity | 889,844 | 11,273 | 901,117 |

(Unaudited - Expressed in Canadian dollars)

**12. Restatement** (continued)

Statement of Operations

| | Nine months ended May 31, 2015 | | |
|---|---|---|---|
| | As previously reported $ | Adjustment $ | As restated $ |
| Other income (expense) | | | |
| Adjustments to fair value of investments | 446,855 | 11,273 | 458,128 |
| Total other income (expense) | 432,946 | 11,273 | 444,219 |
| Net income and comprehensive net income for the period | 325,565 | 11,273 | 336,838 |

| | Three months ended May 31, 2015 | | |
|---|---|---|---|
| | As previously reported $ | Adjustment $ | As restated $ |
| Other income (expense) | | | |
| Adjustments to fair value of investments | (967,595) | 11,273 | (956,322) |
| Total other income (expense) | (972,498) | 11,273 | (961,225) |
| Net income and comprehensive net income for the period | (1,014,715) | 11,273 | (1,003,442) |

Statement of Changes in Equity

| | As at May 31, 2015 | | |
|---|---|---|---|
| | As previously reported $ | Adjustment $ | As restated $ |
| Deficit | (3,542,078) | 11,273 | (3,530,805) |
| Total | 680,496 | 11,273 | 691,769 |

Statement of Cash Flows

| | Nine months ended May 31, 2015 | | |
|---|---|---|---|
| | As previously reported $ | Adjustment $ | As restated $ |
| Operating activities | | | |
| Net gain for the period | 325,565 | 11,273 | 336,838 |
| Items not involving cash: | | | |
| Adjustments to fair value of investments | (446,855) | (11,273) | (458,128) |

**13. Subsequent Event**

The Company has completed a private placement and issued 25 million units at a price of $0.02 per unit for gross proceeds of $500,000. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at $0.10 for five years. The Company paid finders fees of $1,300.