Solarvest BioEnergy Inc.

Consolidated Financial Statements
July 31, 2017

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

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November 16, 2017

Independent Auditor's Report

To the shareholders of
Solarvest BioEnergy Inc.

We have audited the accompanying consolidated financial statements of **Solarvest BioEnergy Inc.**, which comprise the consolidated statement of financial position as at July 31, 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended July 31, 2017 and July 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Solarvest BioEnergy Inc.** as at July 31, 2017 and July 30, 2016, and the results of its operations and its cash flows for the years ended July 31, 2017 and July 30, 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to the fact that the financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends on the success of research and development and the availability of funding to continue the Company's research and development project. The financial statements do not include any adjustments that would arise from a failure to achieve these results. Details of the circumstances relating to this fundamental uncertainty are described in note 1 of the financial statements.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Solarvest BioEnergy Inc.

Consolidated Statement of Financial Position
(expressed in Canadian dollars)
As at July 31, 2017

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents	201,121	2,667
Accounts receivable	13,337	49,451
Prepaid expenses	3,160	2,817
	217,618	54,935
Property and equipment (notes 5 and 8)	348,598	519,010
Intellectual property (note 6)	302,972	325,788
	869,188	899,733
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	1,293,024	998,371
Due to related parties (note 15)	939,070	744,224
Promissory note payable (notes 7 and 15)	148,361	142,345
Current portion of long-term debt	23,355	18,415
	2,403,810	1,903,355
Long-term debt, less current portion (note 8)	206,183	227,356
	2,609,993	2,130,711
Deficit Less Capital Stock		
Deficit	(7,211,225)	(6,295,098)
Share capital (note 9)	4,823,242	4,511,266
Contributed surplus	423,543	333,178
Warrants (note 11)	223,635	219,676
	(1,740,805)	(1,230,978)
	869,188	899,733

Approved by the Board of Directors

"Gerri Greenham" Director *"Kenneth A. Cawkell"* Director

Solarvest BioEnergy Inc.

Consolidated Statement of Comprehensive Loss
(expressed in Canadian dollars)
For the year ended July 31, 2017

	2017 $	2016 $
Expenses		
Insurance	21,096	30,160
Interest expense (note 15)	16,042	8,389
License fees	4,987	5,095
Office and general	14,863	35,122
Professional fees (note 15)	282,792	355,006
Registration and filing fees	3,548	21,920
Rent and utilities	87,220	94,822
Research and development (notes 15 and 17)	288,618	738,848
Shareholder costs	5,985	6,465
Transfer agent	5,490	4,913
Travel	87	9,961
Stock-based compensation (note 15)	-	136,975
Amortization of intellectual property	22,816	24,448
Amortization of property and equipment	170,411	190,510
	923,955	1,662,634
Operating loss	(923,955)	(1,662,634)
Other income		
Recovery of research and development expenses	-	89,053
Foreign exchange gain	7,828	7,765
	7,828	96,818
Net loss for the year	(916,127)	(1,565,816)
Basic and diluted loss per share (note 12)	(0.04)	(0.07)

Solarvest BioEnergy Inc.

Consolidated Statement of Changes in Equity
(expressed in Canadian dollars)
For the year ended July 31, 2017

	Share Capital		Contributed Surplus: Equity settled employee benefits			
	Number of shares	Amount $	$	Warrants $	Deficit $	Total $
Balance - July 31, 2015	20,678,516	4,296,544	196,203	158,973	(4,729,282)	(77,562)
Private placement - net of costs (note 9)	1,000,000	189,297	-	60,703	-	250,000
Shares issued for services (note 10)	101,700	25,425	-	-	-	25,425
Stock-based compensation (note 10)	-	-	136,975	-	-	136,975
Total comprehensive loss for the year	-	-	-	-	(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)
Private placement - net of costs (note 9)	1,680,000	311,976	-	94,324	-	406,300
Fair value of warrants expired	-	-	90,365	(90,365)	-	-
Comprehensive loss for the year	-	-	-	-	(916,127)	(916,127)
Balance - July 31, 2017	23,460,216	4,823,242	423,543	223,635	(7,211,225)	(1,740,805)

Solarvest BioEnergy Inc.
Consolidated Statement of Cash Flows
(expressed in Canadian dollars)
For the year ended July 31, 2017

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(916,127)	(1,565,816)
Items not affecting cash		
Amortization of intellectual property	22,816	24,448
Amortization of property and equipment	170,411	190,510
Gain on sale of property and equipment	-	(103)
Shares for debt settlement	-	25,425
Stock-based compensation	-	136,975
	(722,900)	(1,188,561)
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	36,114	(24,275)
Decrease (increase) in prepaid expenses	(343)	1,034
Increase in accounts payable and accrued liabilities	294,653	471,009
	(392,476)	(740,793)
Financing activities		
Increase in long-term debt	-	120,000
Increase in due to related parties	194,846	391,821
Proceeds from issuance of capital stock	406,300	250,000
Repayment of long-term debt	(16,232)	(14,629)
Increase in promissory note payable	6,016	6,017
	590,930	753,209
Investing activities		
Purchase of equipment	-	(9,220)
Purchase of leasehold improvements	-	(1,732)
Proceeds on sale of capital assets	-	700
	-	(10,252)
Increase in cash and cash equivalents	198,454	2,164
Cash and cash equivalents - Beginning of year	2,667	503
Cash and cash equivalents - End of year	201,121	2,667
Non-cash transactions		
Shares for debt settlement	-	101,700

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 systems to produce natural based "green" commercial projects. 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 Company has had net losses for the past two years, has a working capital deficiency and a deficit, as follows:

	2017 **$**	**2016** **$**
Working capital (deficiency)	(2,186,192)	(1,848,420)
Deficit	(7,211,225)	(6,295,098)

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.

2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance 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").

These consolidated financial statements have been approved by the Board of Directors on November 16, 2017.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting.

(c) Functional currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

3 Summary of significant accounting policies

(a) Basis of consolidation

These financial statements include the operations of wholly owned subsidiaries Phyco Hydrogen Inc., Phycobiologics (Europe) Limited and Solarvest (P.E.I.) Inc.

(b) Foreign currency translation

Foreign currency transactions are initially recorded by the Company using the exchange rates prevailing at the date of the transaction. At the financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the period end rates of exchange. Non monetary assets and liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items are in the Statement of Comprehensive Loss.

(c) Financial instruments

The Company classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the instrument was acquired. The Company's accounting policy for each category is as follows:

Financial assets

Loans and receivables - These are financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost initially and subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

All financial assets are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

Other financial liabilities - This category includes all financial liabilities which are recognized at amortized cost.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of twelve months or less.

(e) Property and equipment

Property and equipment is recorded at cost less accumulated amortization. Bases of amortization are as follows:

Equipment	20% declining balance
Computer	3 years, straight line
Leasehold improvement	5 years, straight line

Amortization is calculated at one-half of the normal rate of amortization in the year of acquisition; no amortization is recorded in the year of disposal.

(f) Intellectual property

Intellectual property is recorded at cost less accumulated amortization. The intellectual property is being amortized over 20 years on a straight-line basis.

(g) Government assistance

The Company incurs research and development expenditures which are eligible for government grants, some of which are contingently repayable government loans. Government assistance is recorded as a recovery of research and development expenses when the amounts are expected to be recovered based on the signed funding agreements.

When conditions requiring repayment of conditionally repayable government assistance have been reached, the amount is recorded as an expense and is offset by a liability.

(h) Research and development expenses

Research and development expenditures are expensed in the period in which they are incurred, unless a development project meets the criteria under IFRS for deferral and amortization. The Company has not deferred any such development expenditures to date.

(i) Income taxes

Income tax on the profit or loss for the periods presented is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

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

(j) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(k) Share based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(l) Related parties

A related party is a person or an entity that is related to the Company.

A person or a close member of that person's family is related to the Company if that person:

i) Has control or joint control over the Company, with the power to govern the Company's financial and operating policies;

ii) Has significant influence over the Company, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of the Company. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

4 Critical accounting estimates and judgments

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

(a) Significant judgments

The significant judgments attributed to the Company's are:

(i) Going Concern

The Company reviews its operations periodically to ensure that it has the potential to be an economic viable entity.

(ii) Impairment and valuation of intellectual property

In making this judgment, Company evaluates, among other factors, market capitalization in addition to the milestone progress in its research and development program.

(b) Significant estimates

Reported amounts and note disclosures reflect the overall economic conditions that management estimates are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates. Estimates and assumptions are reviewed quarterly. All revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to:

(i) Impairment of property and equipment and intellectual property

Whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of external and internal indicators. If an indication of impairment exists, management must determine if the carrying value of the asset exceeds its recoverable amount. The estimation of future cash flows requires assumptions to be made by management. Therefore, the determination of a recoverable amount requires estimates which may affect the amount of an impairment loss, if any.

(ii) Valuation of share-based compensation and warrants

Management measures the costs for share-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviours and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of the share-based payments and warrants.

The Company reviewed its previous assumptions and concluded that no changes were required.

5 Property and equipment

	Equipment $	Computer $	Leasehold improvements $	Total $
Cost				
Balance - July 31, 2016	883,802	16,830	520,255	1,420,887
Balance - July 31, 2017	883,802	16,830	520,255	1,420,887
Accumulated amortization				
Balance - July 31, 2016	552,856	16,658	332,363	901,877
Current year amortization	66,189	172	104,051	170,412
Balance - July 31, 2017	619,045	16,830	436,414	1,072,289
Carrying value				
July 31, 2017	264,757	-	83,841	348,598
July 31, 2016	330,946	172	187,892	519,010

6 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:

	2017 $	2016 $
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 Bio Inc. patent acquisition costs	102,643	102,643
	488,976	488,976
Accumulated amortization	186,004	163,188
	302,972	325,788

7 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 $48,361 has been accrued to July 31, 2017 (2016 - $42,345).

8 Long-term debt

	2017 $	2016 $
0% ACOA loan, due April 1, 2025, repayable in monthly instalments of $1,200	111,600	126,000
7% first time entrepreneur loan, due February 2026, repayable in monthly interest instalments of $695 until March, 2017. From March, 2017 the loan is payable in monthly blended instalments of $1,498	117,938	119,771
	229,538	245,771
Less: Current portion	23,355	18,415
	206,183	227,356

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 on 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	23,355
2019	24,002
2020	24,689
2021	25,448
2022	26,239

9 Capital stock

Authorized share capital

At July 31, 2017, the authorized share capital consisted of unlimited number of no par value common shares and the issued share capital amounted to $4,823,242. All issued shares are fully paid.

Fiscal year ended July 31, 2016

Private placements
On November 17, 2015, the Company closed a non-brokered private placement of 400,000 Units at a price of $0.25 per share for gross proceeds of $100,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

On December 4, 2015, the Company closed a non-brokered private placement of 300,000 Units at a price of $0.25 per share for gross proceeds of $75,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

On February 4, 2016, the Company closed a non-brokered private placement of 100,000 Units at a price of $0.25 per share for gross proceeds of $25,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

On April 5, 2016, the Company closed a non-brokered private placement of 200,000 Units at a price of $0.25 per share for gross proceeds of $50,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

Shares for debt settlement
On December 24, 2015, the Company issued 101,700 common shares at a deemed price of $0.25 per share aggregating $25,425 as a settlement of debt with respect to advisory services performed during the period in lieu of cash payments.

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 $13,700 in commissions and issued 54,400 broker warrants valued at $0.35 per share.

Other Commitments to Issue Shares

As at July 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 a viable commercial production through a method of controlling key genes in algae which will result in continuous production of hydrogen.

10 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. 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 comprehensive loss and a corresponding increase to contributed surplus 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.

During the year ended July 31, 2016, 670,000 share options were cancelled and 970,000 share options were granted.

During the year ended July 31, 2017, 300,000 share options expired.

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

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

On February 18, 2016, the Company granted 970,000 stock options to directors, officers, employees and consultants exercisable at a price of $0.30 per share for a period of five years from the grant date. Related parties received 550,000 stock options. The value attributed to the 970,000 stock options vested is estimated at $126,451 using the Black-Scholes model for option pricing. The assumptions used were: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 68% and an expected life of 5 years.

11 Warrants

In connection with the private placement on November 17, 2015, the Company issued 242,000 warrants to subscribers. These warrants were extended for an additional 12 months and will expire on October 29, 2017 and have a fair value of $15,831 assigned using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 64.18% and an expected life of 1.5 years.

As explained in note 9, 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 have a fair value of $40,336 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.

As explained in note 9, in connection with the private placement on February 8, 2017, the Company issued 1,000,000 warrants to subscribers. These warrants expire on February 8, 2019 and have a fair value of $69,700 assigned 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.

As explained in note 9, in connection with the private placement on July 7, 2017, the Company issued 680,000 warrants to subscribers. These warrants expire on July 7, 2019 and have a fair value of $22,600 assigned 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 July 31, 2017 are summarized below:

No. of warrants Outstanding and Exercisable	Exercise Price $	Expiry Date
242,000	0.35	October 29, 2017
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 7, 2019
734,400	0.35	July 7, 2019
2,576,400		

12 Loss per share

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the year ended were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

Basic loss per share

	2017 **$**	**2016** **$**
Net loss for the year	(916,127)	(1,565,816)
Weighted average number of common shares outstanding for the period	21,927,983	21,371,316
Loss per share	(0.04)	(0.07)

Diluted loss per share

	2017 **$**	**2016** **$**
Net loss for the year	(916,127)	(1,565,816)
Weighted average number of common shares (diluted) for the period	22,897,983	22,641,316
Loss per share	(0.04)	(0.07)

Diluted loss per share does not include the effect of the warrants outstanding, as they are antidilutive.

13 Income taxes

(a) The Company recognized no income taxes in the consolidated statement of comprehensive loss as it has been incurring losses since inception.

(b) The significant components of the Company's future income tax assets are as follows:

	2017 **$**	**2016** **$**
Future income tax assets		
Non-capital loss carry forward	5,919,845	5,579,708
Share issuance costs and other assets	579,020	111,630
	6,498,865	5,691,338
Valuation allowance	(6,498,865)	(5,691,338)
Net future income tax assets	-	-

The Company has available for deduction against future taxable income non-capital losses of $5,919,845. These losses, if not utilized will expire through to 2037. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

14 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 July 31, 2017, the Company had cash of $201,121 which is insufficient to settle current liabilities of $2,403,810, which have contractual maturities of less than 30 days and are subject to normal trade terms.

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 risk

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.

15 Related party transactions

The Company entered into the following transactions with related parties during the years ended July 31, 2017 and July 31, 2016.

(a) Received advances of $54,846 (2016 - $331,580) from a director of the Company.
(b) Accrued interest of $6,016 (2016 - $6,017) due on the promissory note held by a director of the Company.
(c) Incurred and accrued $31,064 (2016 - $21,326) of legal fees to a legal firm where a principal is a director of the Company.
(d) During the year ended July 31, 2017 the Company accrued fees of $24,000 to the CFO for accounting services (2016 - $24,000).

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 $202,858 (2016 - $169,894) due to a company controlled by a director and $135,999 (2016 - $100,868) due to directors of the Company.

Included within the due to a related party balance is $738,829 (2016 - $683,983) due to Gerri Greenham (a control person of the Company), $140,000 (2016 - nil) due to another shareholder and $60,241 (2016 - $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 $148,361 (2016 - $142,345) is also due to Gerri Greenham. The note bears interest at 6% compounded annually and is due on demand.

Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2017 and 2016 were as follows:

	2017 **$**	**2016** **$**
Salaries (included in research and development)	39,308	70,000
Stock based compensation	-	80,824

Key management personnel consist of the Chief Operating Officer, Chief Financial Officer and Team Engineering Lead.

16 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 July 31, 2017, the Company has an unsecured promissory note payable (see note 7) and is not subject to externally imposed capital requirements.

17 Research and development and Contingent liabilities

Atlantic Innovation Fund

As at July 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 July 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 two years under an operating lease expiring on December 31, 2018 is as follows:

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