

---

Condensed Consolidated Financial Statements

**SOLARVEST BIOENERGY INC.**

April 30, 2016

(expressed in Canadian dollars)

(Unaudited)

---

Responsibility for Condensed Consolidated Interim Financial Statements

The accompanying condensed 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 condensed interim financial statements have been fairly presented.

The auditor of Solarvest BioEnergy Inc. has not performed a review of the unaudited condensed interim financial statements for the nine months ended April 30, 2016.

**SOLARVEST BIOENERGY INC.**  
**Condensed consolidated statements of financial position**  
**(expressed in Canadian dollars)**

	<b>April 30 2016 (Unaudited)</b>	<b>July 31 2015 (Audited)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,742	\$ 3
Receivables	51,851	25,676
Prepaid expenses	5,523	3,851
	70,116	29,530
<b>Capital Assets</b> (Note 4)	559,118	699,164
<b>Intellectual Property</b> (Note 5)	333,124	350,237
<b>Total Assets</b>	\$ 962,358	\$ 1,078,931
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 826,297	\$ 527,362
Due to related party (Note 15)	655,326	352,403
Promissory note payable (Note 6)	140,833	136,328
Current portion of long term debt (Note 7)	18,447	14,400
	1,640,903	1,030,493
<b>Long term debt</b> (Note 7)	231,153	126,000
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (Note 8)	4,525,989	4,296,544
<b>Contributed surplus</b> (Note 9)	272,531	196,203
<b>Warrants</b> (Note 10)	204,953	158,973
<b>Deficit</b>	(5,913,171)	(4,729,282)
	(909,698)	(77,562)
<b>Total Equity and Liabilities</b>	\$ 962,358	\$ 1,078,931

*See accompanying notes to the financial statements*

**SOLARVEST BIOENERGY INC.**  
**Condensed consolidated statements of comprehensive loss**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenses</b>				
Amortization	\$ 52,188	\$ 56,256	\$ 156,562	\$ 164,557
Insurance	7,827	6,294	22,818	18,817
Interest expense	2,708	1,479	5,733	4,504
Licence fees	-	-	250	530
Office and general	9,323	8,551	34,093	26,635
Professional fees	108,455	41,259	307,005	140,407
Registration and filing fees	8,697	6,995	11,960	17,339
Rent and utilities	23,727	21,788	71,127	67,697
Research and development	204,140	304,763	550,778	805,859
Shareholder costs	2,024	831	31,511	5,823
Transfer agent	2,431	1,713	4,215	6,008
Travel	5,310	6,285	9,892	22,144
Foreign exchange (gain) loss	67	(512)	(22)	(6,208)
Stock based compensation	65,804	3,508	76,328	3,508
Gain on sale of equipment	-	-	(16,603)	-
	492,701	459,210	1,265,647	1,277,620
Recovery of research and development expenses	(19,799)	(52,138)	(81,758)	(188,449)
	472,902	407,072	1,183,889	1,089,171
<b>Net Loss before other comprehensive loss</b>	<b>(472,902)</b>	<b>(407,072)</b>	<b>\$(1,183,889)</b>	<b>\$(1,089,171)</b>
<b>Basic and diluted loss per share (note 12)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>	<b>\$ (0.06)</b>

*See accompanying notes to the financial statements*

**SOLARVEST BIOENERGY INC.**  
**Condensed consolidated statement of cash flows**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

<b>For the nine months ended April 30,</b>	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Income (Loss) from operations	\$ (1,183,889)	\$ (1,089,171)
Adjustments to reconcile net loss from operating activities		
Amortization	156,562	164,557
Shares for debt settlement	25,425	100,000
Gain on sale of equipment	(16,603)	-
Interest on promissory note	4,505	4,504
Stock based compensation	76,328	3,508
Changes in non-cash working capital items		
(Increase) decrease in receivables	(26,175)	(9,841)
(Increase) decrease in prepaid expenses	(1,672)	7,237
Increase (decrease) in accounts payable and accrued liabilities	298,935	-
Increase in due to related party	302,923	110,000
	(363,661)	(647,721)
<b>Investing Activities</b>		
Acquisition of equipment	-	(41,940)
Proceeds from sale of equipment	17,200	-
Additions to leasehold improvements	-	(35,109)
	17,200	(77,049)
<b>Financing Activities</b>		
Proceeds from issuance of capital stock	250,000	539,915
Increase in Capital Improvements Loan	120,000	-
Repayments of Capital Improvements Loan	(10,800)	57,973
	359,200	597,888
<b>Net change in cash</b>	12,739	(126,882)
<b>Cash, beginning of period</b>	3	148,495
<b>Cash, end of period</b>	\$ 12,742	\$ 21,613
<b>Non-cash transactions</b>		
Shares issued for Kohilo's patent rights	\$ -	\$ 70,000
Shares for debt settlement services	101,700	100,000

*See accompanying notes to the financial statements*

**SOLARVEST BIOENERGY INC.**  
**Condensed consolidated statements of changes in equity**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

	Share Capital		Reserves			Total
	Number of shares	Amount \$	Equity settled employee benefits \$	Warrants \$	Deficit \$	
Balance, July 31, 2014	17,492,802	3,542,127	128,353	153,317	(3,245,494)	578,303
Private placement	2,242,000	469,917	-	69,998	-	539,915
Shares issued for property	200,000	70,000	-	-	-	70,000
Shares for debt	285,714	100,000	-	-	-	100,000
Stock-based compensation	-	-	3,508	-	-	3,508
Comprehensive loss for the period	-	-	-	-	(1,089,171)	(1,089,171)
Balance, April 30, 2015	20,220,516	4,182,044	131,861	223,315	(4,334,665)	202,555
Private placement	458,000	114,500	-	-	-	114,500
Fair value of warrants expired	-	-	64,342	(64,342)	-	-
Comprehensive loss for the period	-	-	-	-	(394,617)	(394,617)
Balance, July 31, 2015	20,678,516	4,296,544	196,203	158,973	(4,729,282)	(77,562)
Private placement	1,000,000	204,020	-	45,980	-	250,000
Shares issued for services	101,700	25,425	-	-	-	25,425
Stock based compensation	-	-	76,328	-	-	76,328
Comprehensive loss for the period	-	-	-	-	(1,183,889)	(1,183,889)
Balance, April 30, 2016	21,780,216	4,525,989	272,531	204,953	(5,913,171)	(909,698)

*See accompanying notes to the financial statements*

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**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 condensed consolidated interim 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 condensed consolidated interim 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:

---

	<b>April 30</b>	<b>July 31</b>
	<b>2016</b>	<b>2015</b>
<b>Working capital (deficiency)</b>	\$ (1,570,787)	\$ (1,000,963)
<b>Deficit</b>	\$ (5,913,171)	\$ (4,729,282)

---

**2. Basis of presentation**

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

In the preparation of these condensed 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.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

**3. Significant accounting policies**

These condensed 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, 2015. 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 condensed 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 June 29, 2016.

**4. Capital Assets**

	<b>April 30, 2016</b>		
<b>Equipment</b>	\$ 874,581	\$ 531,769	\$ 342,812
<b>Computer</b>	16,829	12,784	4,045
<b>Leasehold Improvements</b>	518,523	306,262	212,261
	\$ 1,409,933	\$ 850,815	\$ 559,118

	<b>July 31, 2015</b>		
<b>Equipment</b>	\$ 874,582	\$ 471,273	\$ 403,309
<b>Computer</b>	18,876	13,059	5,817
<b>Leasehold Improvements</b>	518,523	228,485	290,038
	\$ 1,411,981	\$ 712,817	\$ 699,164

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

**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:

	<b>April 30 2016</b>	<b>July 31 2015</b>
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 (note 8)	102,643	102,643
	488,976	488,976
Accumulated amortization	155,852	138,739
Net Book Value	\$ 333,124	\$ 350,237

**6. Promissory Note Payable**

The Company received \$100,000 by issuing a promissory note to a director of the Company. The promissory note was issued on July 15, 2009 at an interest rate of 6% compounded annually, and is due on demand. Interest of \$40,833 has been accrued to April 30, 2016.

**7 Long-term debt**

	<b>April 30, 2016</b>	<b>July 31, 2015</b>
<b>(i) ACOA loan</b>		
0% ACOA loan, due March 1, 2025, repayable in monthly instalments of \$1,200 beginning May 1, 2015	\$ 140,400	\$ 140,400
Repaid during the period	\$ 10,800	\$ -
	129,600	140,400
Less: Current portion	14,400	14,400
	115,200	126,000

On January 23, 2013, the Company entered into an agreement with Atlantic Canada Opportunities Agency (ACOA) whereby ACOA agreed to loan 50% of eligible capital assets incurred on the newly leased premises estimated to be \$789,000.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

**7 Long-term debt - continued**

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.

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

Year ending	July 31, 2016	3,600
	2017	14,400
	2018	14,400
	2019 and subsequent	97,200

**(ii) CBDC loan**

On February 5, 2016, the Company entered into a loan agreement with Community Business Development Corporation ("CBDC"), a PEI corporation. The loan agreement was amended on 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. Interest only is payable during the first twelve months and thereafter, commencing on March 4, 2017, principal and interest is payable in monthly blended installments of \$1,498.30 per month to fully amortize the loan.

	<b>April 30, 2016</b>	<b>July 31, 2015</b>
7% CBDC loan, due February 4, 2026	\$ 120,000	-
Less: Current portion	4,047	-
	<b>\$ 115,953</b>	<b>-</b>

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

Year ending	July 31, 2016	4,047
	2017	10,175
	2018	10,899
	2019 and subsequent	94,879

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**8. Share capital**

*Authorized share capital*

At April 30, 2016, the authorized share capital consisted of unlimited number of common shares and the issued share capital amounted to \$4,525,989. The common shares do not have a par value. All issued shares are fully paid.

**Fiscal year ending July 31, 2015**

*Shares issued for intellectual property*

On August 6, 2014, the Company entered into an agreement to purchase worldwide rights to certain patents and patent applications from Kohilo Bio Inc. ("Kohilo"). Pursuant to the purchase agreement, the total purchase price of \$102,643 will be satisfied through the issuance of 200,000 common shares of the Company at a deemed price of \$0.35 per share and the assumption of \$32,643 of Kohilo's debt.

*Private placements*

On October 15, 2014, the Company closed a non-brokered private placement of 2,000,000 Units at a price of \$0.25 per share for gross proceeds of \$500,000. 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.

In connection with the private placement, the Company paid finders' fees of \$14,000 and issued 63,000 non-transferable finder's warrants. Each finder's 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. A Control Person of the Company subscribed for a total of 500,000 of the 2,000,000 Units.

On April 28, 2015, the Company closed a non-brokered private placement of 242,000 Units at a price of \$0.25 per share for gross proceeds of \$60,500. 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.

In connection with the private placement, the Company paid finders' fees of \$4,235 and issued 16,940 non-transferable finder's warrants. Each finder's 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 May 25, 2015, the Company closed a non-brokered private placement through the issuance of 458,000 common shares at a price of \$0.25 per share for gross proceeds of \$114,500. The non-brokered private placement was subscribed by Garth Greenham (an officer of the Company).

*Shares for debt settlement*

On January 19, 2015, the Company issued 285,714 common shares at a deemed price of \$0.35 per share aggregating \$100,000 as a settlement of debt to a related party with respect to legal services performed in fiscal years ended July 31, 2009 and 2010.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**8. Share capital - continued**

**Fiscal year ending July 31, 2016**

On November 17, 2015, the Company closed a non-brokered private placement of 400,000 Units at a price of \$0.25 per unit 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.

Between December 4, 2015 and April 5, 2016, the Company closed a non-brokered private placement of 600,000 Units at a price of \$0.25 per unit for gross proceeds of \$150,000. 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 services*

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 with respect to advisory services performed during the period in lieu of cash payments.

**Other Commitments to Issue Shares**

As at April 30, 2016, 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.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

**9. Share Options - continued**

During the nine months ended April 30, 2016, 600,000 share options were cancelled and 970,000 share options were granted.

The following table reflects the actual share options issued and outstanding as at April 30, 2016.

<b>No. of options Outstanding and Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
70,000	0.25	June 24, 2016
300,000	0.40	August 1, 2016
970,000	0.30	February 18, 2021
1,340,000	-	

On November 1, 2014, the Company granted 300,000 stock options to a consultant at an exercise price of \$0.40 per share with an expiry date of 18 months from the date of the grant. The stock options granted is vested quarterly over a one year period at a rate of 75,000 stock options per quarter commencing February 1, 2015. As at January 31, 2016 all stock options were vested.

The value attributed to the 225,000 stock options vested is estimated at \$10,524 using the Black-Scholes model for option pricing. The assumptions used were: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 68.0% and an expected life of 1.5 years.

On February 18, 2016, the Company granted 970,000 incentive stock options to directors, officers, employees and consultants exercisable at \$0.30 per share for a period of five years from date of issuance. Related parties received 550,000 stock options.

The value attributed to the 970,000 stock options vested is estimated at \$65,804 using the Black-Scholes model for option pricing. The assumptions used were: risk free interest rate - 1.5%; dividend yield - 0%; expected stock volatility - 68% and an expected life of 5 years.

**10. Warrants**

On April 1, 2016, the Company extended the terms of the 2,000,000 warrants granted on October 15, 2014 with an expiry date of April 15, 2016 for another year to April 15, 2017.

In connection with the private placement on April 28, 2015, the Company issued 242,000 warrants to subscribers and 16,940 finder's warrants. These warrants expired on July 28, 2016 and has a fair value of \$15,831 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 - 64.18% and an expected life of 1.5 years.

In connection with the private placement on November 17, 2015, the Company issued 400,000 warrants to subscribers. These warrants expired between May 17, 2017 and has a fair value of \$18,392 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 - 64.00% and an expected life of 1.5 years.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

**10. Warrants - continued**

In connection with the private placement between December 4, 2015 and April 6, the Company issued 600,000 warrants to subscribers. These warrants expired between June 4, 2017, August 4, 2017 and October 5, 2017 respectively and has a fair value of \$27,588 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 - 68.00% and an expected life of 1.5 years.

The warrants outstanding as at April 30, 2016 is summarized below:

<b>No. of warrants Outstanding and Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,000,000	0.35	April 15, 2017
258,940	0.35	October 28, 2016
400,000	0.35	May 17, 2017
300,000	0.35	June 4, 2017
100,000	0.35	August 4, 2017
200,000	0.35	October 5, 2017
<b>3,258,940</b>		

**11. Supplemental disclosure with respect to cash flows**

There were no significant non-cash financing transactions for the nine months ended April 30, 2016.

**12. Loss per share**

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the nine months ended April 30, 2016 and 2015 were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

<b>For the nine months ended April 30,</b>	<b>2016</b>	<b>2015</b>
Loss	\$ (1,183,889)	\$ (1,089,171)
Weighted average number of common shares outstanding for the period	21,362,983	19,419,969
Loss per share	\$ (0.06)	\$ (0.06)

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

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**13. 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 April 30, 2016, the Company had cash of \$12,742 and is insufficient to settle current liabilities of \$1,640,903 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 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.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**13. Financial Instruments - continued**

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.

**14. 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 April 30, 2016, the Company has an unsecured promissory note payable (See Note 6) and is not subject to externally imposed capital requirements.

**15. Related Party Transactions**

The Company entered into the following transactions with related parties during the nine months ended April 30, 2016.

- a) Received advances of \$302,923 (2015:- \$110,000) from a director of the Company.
- b) Accrued interest of \$4,504 (2015:- \$4,504) due on the promissory note held by a director of the Company.
- c) Incurred and accrued \$20,019 (2015:- \$34,944) of legal fees to a legal firm where a principal is a director of the Company.
- d) During the nine months ended April 30, 2016, a director of the Company subscribed for Nil units (2015:- 1,200,000 units) of the Company in connection with the private placements for proceeds of \$Nil (2015:- \$300,000).
- e) During the nine months ended April 30, 2016 the Company accrue fees of \$18,000 to the CFO for accounting services (2015:- \$18,000)

Included in accounts payable and accrued liabilities is \$162,519 (July 31, 2015:- \$141,328) due to a Company controlled by a director.

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.

**SOLARVEST BIOENERGY INC.**  
**Notes to the condensed consolidated financial statements**  
**April 30, 2016**  
**(expressed in Canadian dollars)**  
**(Unaudited)**

---

**16. Commitments**

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

Year ending July 31,	2016	\$	54,000
	2017		54,000
	2018		54,000
	2019		22,500