

OMB APPROVAL
OMB Number: 3235-0288
Expires: July 31, 2018
Estimated average burden hours per response 2645.52

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 20-F**  
(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Event requiring this shell company report \_\_\_\_\_  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 000-51848

**VANC Pharmaceuticals Inc.**

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Company's name into English)

Province of British Columbia, Canada

(Jurisdiction of incorporation or organization)

Suite 1128 - 789 West Pender Street Vancouver, BC V6C 1H2 CANADA  
Contact person: Eugene Beukman, Phone: (604) 687-2038 Email ebeukman@pendergroup.ca

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Not Applicable	Not Applicable

Securities registered or to be registered pursuant to Section 12(g) of the Act.  
Common Shares Without Par Value - Toronto Venture Stock Exchange

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
December 31, 2016 15,001,297 according to 7.a.2

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Yes  No

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No  Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer  Non-Accelerated filer  Emerging growth company  Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Indicate by check mark which financial statement item the Company has elected to follow. Item 17  Item 18

If this is an annual report, indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY PROCEEDING DURING THE PAST FIVE YEARS)

Indicate by check mark whether the Company has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

The information set forth in this Annual Report on Form 20-F is as at December 31, 2016 unless an earlier or later date is indicated.

SEC 1852 (01-12) Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

**FORM 20-F ANNUAL REPORT  
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## **INTRODUCTION**

The Company was incorporated by registration of its Memorandum and Articles under the BC Companies Act on May 30, 2000 under the name “Duft Biotech Capital Ltd.”

On November 13, 2003, the Company acquired the assets of ALDA Pharmaceuticals Inc. (“API”), a private company founded in 1996.

On November 26, 2003 the Company changed its name to ALDA Pharmaceuticals Corp. (“the Company”). The Company is still a British Columbia, Canada, company.

Effective August 19, 2005, the authorized share capital of the Company was increased to an unlimited number of common shares without par value. There are no Indentures or Agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights.

On July 24, 2013 the Company changed its name to NUVA Pharmaceuticals Inc. (“the Company”). The Company is still a British Columbia, Canada, company.

On July 28, 2014 the Company changed its name to VANC Pharmaceuticals Inc. (“the Company”). The Company is still a British Columbia, Canada, company.

### **BUSINESS OF VANC PHARMACEUTICALS INC.**

The Company is focused on the marketing and distribution of generic and over-the-counter (“OTC”) pharmaceuticals.

### **FINANCIAL AND OTHER INFORMATION**

The Company’s reporting currency and domestic currency is Canadian Dollars. In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (“CDN\$” or “\$”). The Government of Canada permits a floating exchange rate to determine the value of the Canadian Dollar against the U.S. Dollar (US\$). Comparisons of historic exchange rates between the US\$ and the CDN\$ are contained in Section 3.A.3.

### **OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

This Annual Report on Form 20-F contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, principally in ITEM #4, “Information on the Company” and ITEM #5, “Operating and Financial Review of Prospects”. These statements may be identified by the use of words like “plan,” “expect,” “aim,” “believe,” “project,” “anticipate,” “intend,” “estimate,” “will,” “should,” “could” and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. In particular, these include statements about the Company’s strategy for growth, future performance or results of current sales and production, interest rates, foreign exchange rates, and the outcome of contingencies, such as acquisitions and/or legal proceedings and intellectual property issues.

Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, among other things, the factors discussed in this Annual Report under ITEM #3, “Key Information, Risk Factors” and factors described in documents that the Company may furnish from time to time to the Securities and Exchange Commission. The Company undertakes no obligation to update publicly or revise any forward-looking statements because of new information.

### **MEASUREMENT INFORMATION**

Canada uses the metric measurement system and all of the measures used by the Company adhere to the standards of the metric system.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS SENIOR MANAGEMENT AND ADVISERS

#### 1.A.1. Directors and senior management

Table No. 1 lists as of December 31, 2016 the names of the Directors of the Company.

**Table No. 1**  
**Directors**

<b>Name and Residential Address</b>	<b>Age</b>	<b>Date First Elected or Appointed</b>
Arun Nayyar, CEO <sup>(1)</sup> 4848 Killarney St. Vancouver BC, V5R3V5	57	December 3, 2014
Eugene Beukman, CFO and Secretary <sup>(1)</sup> 1128 – 789 West Pender St. Vancouver, BC V6C 1H2, Canada	59	November 14, 2012
Bob Rai <sup>(1)</sup> 2257 128St. Surrey BC V4A 3V8, Canada	47	June 4, 2015
David Hall 2020 – 401 West Georgia St. Vancouver, BC V6B 5A1, Canada	64	January 20, 2016

(1) Member of Audit Committee

#### 1.A.2. Senior Management

Table No. 2 lists the names of the Senior Management of the Company. The Senior Management serves at the pleasure of the Board of Directors.

**Table No. 2**  
**Senior Management**

<b>Name and Position</b>	<b>Age</b>	<b>Date of First Appointment</b>
Arun Nayyar, CEO	57	December 3, 2014
Eugene Beukman, CFO & Secretary	58	November 14, 2012

Mr. Nayyar's business functions, as CEO of the Company, included overall supervision of all officers and consultants, as well as management of research and development, strategic planning, business development, operations, liaison with auditors, accountants, lawyers, regulatory authorities, the financial community and shareholders and reporting to the Board of Directors.

Mr. Beukman's business functions, as CFO, include financial statement preparation, accounting, liaising with auditors, accountants, lawyers and regulatory authorities and preparation, payment and organization of the expenses, taxes, and other financial activities of the Company and reporting to the Board of Directors.

Mr. Beukman's business functions, as Corporate Secretary, include attending and being the secretary of all meetings of the Board, shareholders and committees of the Board and entering, or causing to be entered in records kept for that purpose, minutes of all proceedings thereat; gives or causes to be given, as and when instructed, all notices to shareholders, Directors, officers, auditors and members of committees of the Board; is the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Company and of all books, records and instruments belonging to the Company.

## **1.B. Legal Advisors**

The legal advisors for the Company are Harder & Company, 2760 – 200 Granville St., Vancouver, BC, V6C 1S4 Phone (604) 682-4466 Fax (604) 682-4467. As of October 2, 2007, the Company retained Stanislaw Ashbaugh LLP, 4400 - 701 Fifth Avenue, Seattle, WA 98104 to provide assistance with matters concerning securities laws in the United States. The firm does not provide other legal services to the Company.

The Company's Bank is the: TD Canada Trust. Its business address and telephone number are 1055 Dunsmuir Street, Vancouver, British Columbia, Canada V7X 1P3, tel: 604-659-2070.

## **1.C. Auditors**

ADAM SUNG KIM Ltd. performed the audit for the year ended December 31, 2016.

## **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

No disclosure necessary.

## **ITEM 3. KEY INFORMATION**

### **3.A.1. Selected Financial Data**

The selected financial data should be read in conjunction with the financial statements and other financial information included elsewhere in the Annual Report.

The Company has not declared any dividends since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain all available funds for use in its operations and the expansion of its business.

The Company year end is December 31, 2016.

Table No. 3 is derived from the audited financial statements of the Company, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRS, International Accounting Standards ("IASs"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs") and effective for the Company's reporting period ended December 31, 2016.

**Table No. 3**  
**Selected Financial Data**  
(CDN\$)

	Year Ended Dec 31, 2016	Stub Year Ended Dec 31, 2015	Year Ended Jun 30, 2015	Six Months Ended Dec 31, 2014 (unaudited)	Year Ended Jun 30, 2014	Year Ended Jun 30, 2013	Year Ended Jun 30, 2012
<b>IFRS</b>							
Gross Revenue	2,461,933	561,344	5,713	0	0	0	83,361
Net Sales	1,013,690	150,754	5,713	0	0	0	83,361
Net Income (Loss) for the period	(2,613,904)	(1,190,414)	(2,200,648)	(571,343)	(733,946)	283,432	(306,565)
Basic Income (Loss) Per Share	(0.18)	(0.09)	(0.19)	(0.08)	(0.12)	0.08	(0.12)
Dividends Per Share		0	0	0	0	0	0
Weighted Average Shares	14,907,103	13,961,051	11,818,217	9,047,048	6,526,940	4,705,294	1,612,940
Period-end Shares	15,001,297	14,276,307	13,804,780	11,131,101	9,191,768	5,404,268	1,739,920
Working Capital	1,886,976	3,207,630	3,305,603	924,174	156,185	296,132	(1,320,984)
Sponsorship Liability	0	0	0	0	0	0	875,000
Long-Term Debt	0	0	0	0	0	29,444	0
Share Capital	16,320,006	15,775,145	15,262,357	11,595,326	10,995,282	7,943,874	7,933,288
Shareholders' Equity (Deficit)	1,917,993	3,246,975	3,353,461	1,429,140	663,097	(436,688)	(1,321,164)
Total Assets	2,275,335	3,493,205	3,540,585	1,479,565	820,418	800,991	19,751
<b>US GAAP</b>							
Net Loss	(2,613,904)	(1,190,414)	(2,200,648)	(571,343)	(733,946)	283,432	(306,565)
Income/(Loss) Per Share	(0.18)	(0.09)	(0.19)	(0.08)	(0.12)	0.08	(0.12)
Shareholders' Equity (Deficit)	1,917,993	3,246,975	3,353,461	1,429,140	663,097	(436,688)	(1,321,164)
Total Assets	2,275,335	3,493,205	3,540,585	1,479,565	820,418	800,991	19,751

### 3.A.3. Exchange Rates

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars (CDN\$). The Government of Canada permits a floating exchange rate to determine the value of the Canadian Dollar against the U.S. Dollar (US\$).

Table No. 4 sets forth the exchange rates for the Canadian Dollar at the end of year ended December 31, 2016 and three most recent fiscal years, stub year ending December 31, 2015 and year ended June 30, 2015, and 2014, the average rates for the period and the range of high and low rates for the period. The data for each month during the most recent six months is also provided.

For purposes of this table, the rate of exchange means the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

The table sets forth the number of US Dollars required under that formula to buy one Canadian Dollar. For example, where the number "0.7225" is quoted in the upper left hand number in the table, it means that it took on average in December 2015, 72.25 cents US to purchase one Canadian dollar. For most periods presented, the Canadian dollar has been worth less than one US dollar.

**Table No. 4**  
U.S. Dollar/Canadian Dollar

<b>Period</b>	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Close</b>
March 31, 2017	0.7472	0.7412	0.7530	0.7530
February 28, 2017	0.7628	0.7535	0.7687	0.7535
January 31, 2107	0.7578	0.7452	0.7692	0.7692
December 31, 2016	0.7499	0.7387	0.7624	0.7456
November 30, 2016	0.7441	0.7386	0.7522	0.7455
October 31, 2016	0.7545	0.7463	0.7632	0.7463
Three Months Ended December 31, 2016	0.7499	0.7387	0.7624	0.7456
Three Months Ended September 30, 2016	0.7499	0.7387	0.7624	0.7456
Three Months Ended June 30, 2016	0.7760	0.7631	0.7876	0.7742
Three Months Ended March 31, 2016	0.7571	0.7449	0.7714	0.7701
Fiscal Year Ended December 31, 2016	0.7548	0.7377	0.7614	0.7448
Stub Year Ended December 31, 2015	0.7562	0.7148	0.7958	0.7225
Fiscal Year Ended June 30, 2015	0.8010	0.8002	0.8089	0.8006
Fiscal Year Ended June 30, 2014	0.9342	0.8888	0.9768	0.9367

(Source: [www.bankofcanada.ca/rates/exchange/10-year-lookup/](http://www.bankofcanada.ca/rates/exchange/10-year-lookup/))

### 3.B. Capitalization and Indebtedness

Table No. 5 sets forth the capitalization and indebtedness of the Company as of December 31, 2016.

**Table No. 5**  
Capitalization and Indebtedness  
As of December 31, 2016

<b>SHAREHOLDERS' EQUITY</b>	
Share Capital	\$16,320,006
Reserve-Warrants	209,774
Reserve – Options	3,743,105
Deficit	(18,354,892)
Net Shareholders' Equity	1,917,993
<b>TOTAL CAPITALIZATION</b>	
Common shares issued and outstanding	15,001,297
Stock Options Outstanding:	1,460,938
Warrants Outstanding <sup>(1)</sup> :	None
Capital Leases:	None
Guaranteed Debt	None
Secured Debt:	None

<sup>(1)</sup> See Table 12 for exercise prices and terms of these warrants.

### Year ended June 30, 2013

During the year ended June 30, 2013, the Company issued 3,664,348 shares for debt and assets. At June 30, 2013 there were 5,404,268 shares issued and outstanding.

#### *Private placements*

On June 12, 2013 the Company closed a non-brokered private placement of 2,000,000 units of the Company's common shares at a price of \$0.40 per unit for proceeds of \$800,000. Each unit was exchangeable for one common share of the Company and one share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Company for a period of 36 months at a price of \$1.20 per common share in the first year, \$1.60 in the second year and \$2.00 in the third year. The units cannot be exchanged for shares and warrants during the first year unless the holder either simultaneously exercises or forgoes the warrants. The warrants are subject to an accelerated exercise provision in the event that the shares trade more than \$0.40 above the exercise price for ten consecutive trading days.

The private placement was subject to an Exchange hold period expiring October 12, 2013. As of June 30, 2013, the private placement was classified as share subscriptions. Legal fees of \$850 and finders' fees of \$57,600 were charged against share capital in connection with the private placement. The fair value of the warrants issued as part of the private placement is \$663,834.

#### *Shares issued for debt*

On September 7, 2012, the Company announced that the Exchange had accepted a share for debt arrangement. Debts totaling \$935,300 would be settled by issuing 2,814,348 common shares to creditors at \$0.20 per share. Of these shares, 2,671,875 were subjected to resale restrictions equivalent to an Exchange Tier 2 Value Security Escrow Agreement, which allowed scheduled release of shares from escrow over a three year period.

		<b>June 30, 2013</b>	
		<b>\$</b>	<b>Shares</b>
COC assignment	September 12, 2012	875,000	2,671,875
Accounts payable	September 12, 2012	20,540	43,073
Management fees	September 12, 2012	39,760	99,400
		<b>935,300</b>	<b>2,814,348</b>

#### *Shares issued for assets*

On September 17, 2012, the Company announced that the Exchange had provided acceptance of the License Agreement ("LA") between the Company and Canagen Pharmaceuticals Inc. of Richmond, B.C. The LA provided the Company with the global sales, manufacturing and marketing rights, except for China and India, to Pedia-Safe Polyvitamin Drops. The Agreement provided for the payment of \$170,000 by the issuance of 850,000 common shares at a deemed price of \$0.20 per share. This transaction did not result in a change of control or in the creation of new insiders.

### Year ended June 30, 2014

During the year ended June 30, 2014, the Company issued 850,000 shares for the acquisition of an asset, 2,000,000 shares for share subscriptions received in the year ended June 30, 2014, and 937,500 shares were issued through a private placement. At June 30, 2014, there were 36,767,075 shares issued and outstanding.

#### *Private placements*

On April 08, 2014 the Company closed a non-brokered private placement of 437,500 units of the Company at a price of \$0.40 per unit for gross proceeds of \$175,000. Each unit consists of one (1) common share and one transferrable share purchase warrant. Each warrant is entitle the holder thereof to purchase one additional common share for a period of twelve months from the Closing Date of the Offering at a price of \$1.20 per

common share. The warrants are subject to an accelerated exercise provision in the event the shares trade more than \$0.40 above the exercise price for ten consecutive days.

In addition, on April 08, 2014 the Company closed a non-brokered private placement of 500,000 units of the Company at a price of \$0.40 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one transferrable share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share for a period of twenty four months from the Closing Date of the Offering at a price of \$0.52 per common share.

In accordance with the private placements, finder's fees of \$12,000 cash were paid in addition to the issuance of 75,000 warrants. 30,000 warrants have a life of two years and are exercisable at \$0.52. The remaining 45,000 warrants have a life of one year and are exercisable at \$1.20. The fair value of these warrants was measured at \$47,567. Total share issue cost was \$59,567.

Proceeds from the Offering were used by the Company for general ongoing corporate and working capital purposes.

The fair value of the warrants of \$375,000 was estimated using the Black-Scholes option pricing model using the following parameters:

<u>April 2014</u>	
Dividend yield	178.59 – 201.52%
Expected volatility	201.52%
Risk-free interest rate	1.07%
Expected average term	1 – 2 years

### **Year ended June 30, 2015**

#### ***Private placements***

On December 10, 2014, the Company closed a non-brokered private placement of 1,901,833 units at a price of \$0.60 per unit for gross proceeds of \$1,141,100. Each unit consists of one common share and one-half of one transferrable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share on or before December 10, 2015 at a price of \$1.00. Finder's fees of \$91,287 cash were paid in addition to the issuance of 152,146 warrants. The fair value of the warrants issued to agents was estimated using the Black-Scholes option pricing model and amounted to \$67,533.

Securities are subject to a four-month hold period that expires April 11, 2015. Proceeds from the offering will be used by the Company for commercialization of the generic and OTC products and for general ongoing corporate and working capital purposes.

Additional share issue costs totaling \$203,490 were incurred relating to options and warrants exercised for the year.

### **Stub year ended December 31, 2015**

During the six months ended December 31, 2015, 37,500 shares were issued for the exercise of options, and 434,027 shares were issued for the exercise of warrants.

### **Year ended December 31, 2016**

During the year ended December 31, 2016, 400,000 shares were issued for the exercise of options, and 325,000 shares were issued for the exercise of warrants.

On November 1, 2016, the Company consolidated all of the Company's issued and outstanding common shares on the basis of every 4 old common shares being consolidated into 1 new common share. All figures in the consolidated financial statements and this 20-F are adjusted to reflect the 4:1 share consolidation.

**Options:**

The changes in share options including those granted to directors, offers and consultants during the years ended December 31, 2016 and 2015 and the years ended June 30, 2015 are summarized as follows:

	<b>Year Ended December 31, 2016</b>		<b>Six Months Ended December 31, 2015</b>		<b>Year Ended June 30, 2015</b>	
	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Beginning Balance	1,303,750	\$1.52	1,220,000	\$1.08	562,500	\$0.44
Options granted	672,500	\$1.38	201,250	\$1.64	1,063,750	\$1.24
Expired/Cancelled	(115,312)	\$1.51	(80,000)	\$1.80	-	-
Exercised	(400,000)	\$0.48	(37,500)	\$0.60	406,250	\$0.64
Ending Balance	1,460,938	\$1.38	1,303,750	\$1.52	1,220,000	\$1.08
Exercisable	1,184,324	\$1.38	1,035,625	\$1.52	774,375	\$0.76

The following table summarizes information about share options outstanding and exercisable as at December 31, 2016:

<b>Exercise Price</b>	<b>Expiry date</b>	<b>Options</b>	
		<b>Outstanding</b>	<b>Exercisable</b>
\$0.80	19-Feb-17	112,500	112,500
\$2.20	15-Apr-17	57,500	57,500
\$2.20	05-Jun-17	75,000	75,000
\$1.80	09-Sep-17	15,000	11,250
\$1.60	30-Dec-17	12,500	11,261
\$1.40	17-May-18	37,500	12,375
\$1.40	20-Jun-18	50,000	16,500
\$1.40	04-Jul-18	75,000	24,750
\$1.40	18-Jul-18	12,500	4,125
\$0.90	23-Aug-18	10,000	10,000
\$0.72	15-Sep-18	12,500	-
\$0.52	08-May-19	62,500	62,500
\$0.60	14-Nov-19	37,500	37,500
\$0.80	18-Dec-19	125,000	125,000
\$0.80	08-Jan-20	37,500	37,500
\$1.80	15-May-20	37,500	37,500
\$1.80	05-Jun-20	145,000	57,500
\$1.80	19-Aug-20	80,000	80,000
\$1.44	01-Oct-20	6,250	6,250
\$1.60	30-Dec-20	50,000	50,000
\$1.40	20-Jan-21	409,688	355,313
		<b>1,460,938</b>	<b>1,184,324</b>

## Warrants

The Company has issued warrants entitling the holders to acquire common shares of the Company. The summary of changes in warrants is presented below:

	Year ended December 31, 2016		Six Months ended December 31, 2015		Year Ended June 30, 2015	
	Number of Warrant s	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	1,301,250	\$1.24	1,748,136	\$1.24	2,950,000	\$1.32
Warrants issued	-	-	-	-	1,103,063	\$1.00
Expired/Cancelled	(976,250)	\$0.50	(12,858)	\$1.00	-	-
Exercised	(325,000)	\$0.52	(434,027)	\$1.00	(2,304,928)	\$1.24
Issued and exercisable	-	-	1,301,250	\$1.64	1,748,136	\$1.24

The share warrants outstanding and exercisable as at December 31, 2016 is nil.

### 3.C. Reasons for the Offer and Use of Proceeds

General working capital, pay down liabilities and applications for registrations with Health Canada.

### 3.D. Risk Factors

#### Risks pertaining to the Company:

***The Company's limited operating history makes it difficult to evaluate the Company's current business and forecast future results.***

The Company was started as a Capital Pool Company, has been operating its current business since November, 2003 and has had limited revenues during this time. Since its inception, the Company has experienced significant operating losses each year. These losses are due to substantial expenditures on intellectual property protection, product development and product testing of commercial and consumer infection control products. The Company has also been engaged in a program of pre-clinical testing for registration of a number of therapeutic products with Health Canada and the FDA. This testing is costly and time consuming and the Company does not have sufficient funds to undertake all of the testing that is required to satisfy the requirements of these regulatory agencies. Accordingly, the Company requires outside funding to complete these tests. As funds are raised, they will be invested in the testing and the Company will continue to accumulate losses that are proportional to the funds raised and spent on testing. In addition, the Company launched a number of consumer and commercial products, described above, and established new sales and distribution agreements. Although sales of T<sup>3</sup>6<sup>®</sup> Antiseptic Hand Sanitizer products were substantial during the last quarter of 2009, sales subsequently dropped down nearly zero and were ceased. The Company has changed its direction and Company's operations consist of the marketing and distribution of generic and over-the-counter ("OTC") pharmaceuticals. As a result, future sales of the Company's products are difficult to predict.

***The Company has no significant source of operating cash flow and failure to generate revenues in the future could cause the Company to go out of business.***

Based upon current plans to introduce its products into new markets in Canada and internationally, develop new products, maintain the Company's public listing on the TSX-Venture Exchange ("the Exchange") and support the continued registration of its securities in the US, the Company expects to incur operating losses in future periods. These losses will occur because there are continuing expenses associated with the marketing and production of the Company's products, research and development, intellectual property protection, testing and registration of pharmaceutical products, legal and accounting fees, the maintenance of its public listing and other expenses associated with running an operating business. Even if the Company becomes operationally profitable from the introduction and sale of new products, the Company will need to raise significant amounts of new funding to expand these activities. Also, the Company may not be successful in generating significant

revenues from pharmaceutical products in the future. Failure to generate more revenues could cause the Company to contract or go out of business. In the future, it is likely that the inventory value will be reduced to reflect selling cost which will further decrease the value of the assets compared to liabilities. Also at the time of this report, the Company has sufficient funds to continue the sales of its products but it will be unable to do so without securing further financing.

***If the Company raises further funds through equity issuances, the price of its securities could decrease due to the dilution caused by the sale of additional shares.***

Additional funds raised by the Company through the issuance of equity or convertible debt securities will cause the Company's current shareholders to experience dilution and possibly lower the trading price of its shares. Such securities may grant rights, preferences or privileges senior to those of the Company's common shareholders. The Company is not profitable and will not be profitable for the foreseeable future under its current development plan. The Company plans to issue further equity to raise funds as necessary to continue operations and fund its program of research and development, patent protection and regulatory approvals. As a result, an indeterminate amount of dilution of the Company's capital stock will occur.

***The Company has issued a limited number of shares out of its authorized capital of an unlimited number of common shares, which could be dilutive and negatively affect the share price.***

Having an unlimited number of authorized but unissued common shares could allow the Company's Directors and Officers to issue a large number of shares without shareholder approval, leading to significant dilution of current shareholders and possible lowering of the share price.

***The Company could enter into debt obligations and not have the funds to repay these obligations.***

The Company does not have any contractual restrictions on its ability to incur debt and, accordingly, the Company could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain covenants, which would restrict the Company's operations. The Company might not be able to repay indebtedness.

***The Company could enter into contractual obligations and not have the funds to pay for these obligations.***

The Company does not have any contractual restrictions on its ability to enter into binding agreements and, accordingly, the Company could incur significant obligations to third parties including financial obligations. Any such obligations could restrict the Company's operations and the Company might not be able to pay for its commitments. If the Company cannot meet its commitments, legal action could be taken against the Company. Any such actions could further restrict the Company's ability to conduct its business or could cause the Company to go out of business.

***The Company has a history of generating limited revenues and the continuing failure to generate further revenues could cause the Company to cease operations.***

The Company has no history of pre-tax profit and in the previous four years has had only limited annual revenues for each of the years it has been operating. The Company sustained operating losses for each of its fiscal years and has sustained significant accumulated operating losses. The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. The Company may not be successful in generating revenues or raising capital in the future. Failure to generate revenues or raise capital could cause the Company to cease operations.

***As the Company is a Canadian company, it may be difficult for U.S. shareholders of the Company to effect service on the Company or to realize on judgments obtained in the United States.***

The Company is a Canadian corporation. All of its directors and officers are residents of Canada and a significant part of its assets are, or will be, located outside of the United States. As a result, it may be difficult for shareholders resident in the United States to effect service within the United States upon the Company, directors, officers or experts who are not residents of the United States, or to realize in the United States judgments of courts of the United States predicated upon civil liability of any of the Company, directors or officers under the United States federal securities laws. If a judgment is obtained in the U.S. courts based on civil liability provisions of the U.S. federal securities laws against the Company or its directors or officers, it will be difficult to enforce the judgment in the Canadian courts against the Company and any of the Company's non-U.S. resident executive officers or directors. Accordingly, United States shareholders may be forced to bring actions against the Company and its respective directors and officers under Canadian law and in

Canadian courts in order to enforce any claims that they may have against the Company or its directors and officers. Nevertheless, it may be difficult for United States shareholders to bring an original action in the Canadian courts to enforce liabilities based on the U.S. federal securities laws against the Company and any of the Company's non-U.S. resident executive officers or directors.

***The Company's future performance is dependent on key personnel. The loss of the services of any of the Company's executives or Board of Directors could have a material adverse effect on the Company.***

The Company's performance is substantially dependent on the performance and continued efforts of the Company's executives and its Board of Directors. The loss of the services of any of the Company's executives or Board of Directors could have a material adverse effect on the Company's business, results of operations and financial condition. There is no assurance that key personnel can be replaced with people with similar qualifications within a reasonable period of time. The Company currently carries key person insurance on any of the executives or members of the board of directors. If any or all Directors resign, there is no assurance that new Directors can be found to replace any directors who resign.

***The Company has not declared any dividends since its inception in 2000 and has no present intention of paying any cash dividends on its common shares in the foreseeable future.***

The Company has not declared any dividends since its inception in 2000, and has no present intention of paying any cash dividends on its common shares in the foreseeable future. The payment by the Company of dividends, if any, in the future, rests in the discretion of the Company's Board of Directors and will depend, among other things, upon the Company's earnings, its capital requirements and financial condition, as well as other relevant factors.

***The Company's future performance is dependent on key suppliers and manufacturers and a loss of any suppliers or manufacturers could have a material adverse effect on the Company by reducing or eliminating the ability of the Company to manufacture or sell its products.***

If any of the Company's suppliers or manufacturers were to go out of business or were unable to procure the raw materials or other supplies required by the Company to manufacture its products, the Company would have to find other suppliers or manufacturers. There is no guarantee that the Company would be able to find other suppliers or manufacturers. If the Company could not find other suppliers or manufacturers, production of the Company's products would be delayed for an indefinite period of time and such delays would lead to delayed revenues or reduced revenues or both.

***There is no assurance that the Company will be able to secure the funds needed for future development, and failure to secure such funds could lead to a lack of opportunities for growth.***

The testing is required in order to obtain required regulatory approvals from Health Canada, the EPA and FDA in the US and the EMA in the EU. A lack of funds would impair the ability of the Company to complete such tests. A lack of funds would also impair the Company's ability to establish marketing and sales plans once the products have been approved for sale. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various activities and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

***The Company and the Company's products have limited brand awareness which limits the ability of the Company to gain credibility from prospective customers and to sell its products into new markets.***

Market knowledge of the Company's name is limited. The Company will need to devote considerable resources to educate new markets about the products the Company offers. In establishing new markets, the Company will be competing with companies that are potentially already entrenched in such markets or may be better funded than the Company. The ability of the Company to raise brand awareness will depend on its ability to raise the money required to undertake such an intensive marketing effort. As noted elsewhere, there is no assurance that the Company can raise funds required for such an investment in marketing.

***The Company has limited sales and marketing experience and can provide no assurance that the Company can keep its current customers or gain new ones.***

The Company has limited experience in marketing and selling its products and the Company has no sales or marketing staff. The Company will have to expend substantial funds to promote and develop its products. The Company's success in this regard will depend on the quality of its products and its ability to develop and implement an effective sales and marketing strategy. Failure to achieve the marketing objectives will have a material adverse effect on the Company and on its results of operations and financial condition.

***Conflicts of interest may exist for Directors and Officers which may inhibit their ability to act in the best interests of the Company and its shareholders leading to possible impairment of the Company's ability to achieve its business objectives.***

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Some of the directors and officers of the Company are directors and officers of other companies. The directors and officers of the Company will be required by law to act in the best interests of the Company. They will have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

***Management of the Company can, through their stock ownership in the Company, influence all matters requiring approval by the Company's shareholders.***

Management of the Company at the time of this report, collectively own approximately 5% of the Company's issued and outstanding common shares at that date. These shareholders, if acting together, could significantly influence all matters requiring approval by the Company's shareholders, including the election of directors and the approval of mergers or other business combination transactions. Management may not make decisions that will maximize shareholder value and may make decisions that will contribute to or cause the entrenchment of management.

***The value and transferability of the Company shares may be adversely impacted by the limited trading market for the Company's common shares.***

No assurance can be given that a market for the Company's common shares will be quoted on an exchange in the U.S. or on the NASD's Over the Counter Bulletin Board. The Company's common shares may be subject to illiquidity and investors may not be able to sell their shares in a timely manner.

***The value and transferability of the Company shares may be adversely impacted by the penny stock rules.***

The sale or transfer of the Company common shares by shareholders in the United States may be subject to the so-called "penny stock rules." Under Rule 15g-9 of the Exchange Act, a broker or dealer may not sell a "penny stock" (as defined in Rule 3a51-1) or effect the purchase of a penny stock by any person unless:

- (a) Such sale or purchase is exempt from Rule 15g-9;
- (b) Prior to the transaction the broker or dealer has (1) approved the person's account for transaction in penny stocks in accordance with Rule 15g-9, and (2) received from the person a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased; and
- (c) The purchaser has been provided an appropriate disclosure statement as to penny stock investment.

The SEC adopted regulations generally define a penny stock to be any equity security other than a security excluded from such definition by Rule 3a51-1. Such exemptions include, but are not limited to (1) an equity security issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operations for at least three years, (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least \$6,000,000 for the preceding three years; (2) except for purposes of Section 7(b) of the Exchange Act and Rule 419, any security that has a price of \$5.00 or more; and (3) a security that is authorized or approved for authorization upon notice of issuance for quotation on the NASDAQ Stock Market, Inc.'s Automated Quotation System. It is likely that the Company's common shares, assuming a market were to develop in the US, will be subject to the regulations on penny stocks. Consequently, the market liquidity for the common shares may be adversely affected by such regulations limiting the ability of broker/dealers to sell the Company's common shares and the

ability of shareholders to sell their securities in the secondary market in the US. Moreover, the Company shares may only be sold or transferred by the Company shareholders in those jurisdictions in the US in which an exemption for such "secondary trading" exists or in which the shares may have been registered.

***There is no guarantee that there is a market for the Company's common shares in the United States.***

Although the Company's common shares were added to the OTC Bulletin Board System on April 20, 2009 under the symbol "APCSF", trading of the company's shares is very limited. The Company cannot guarantee that there will be a market for the Company's common shares in the United States or that there will be any significant amount trading in the company's shares for the foreseeable future. The Company cannot guarantee that it will continue to maintain a listing in the United States or that it will not be found in default of existing regulations or new regulations and be suspended from trading or delisted.

### **Risks Pertaining to the Industry**

***Registration of products may not occur in a timely manner which could lead to delays in product introductions, reduced revenue expectations and extra costs to conduct further tests to satisfy regulatory agencies.***

Government agencies, such as the EPA and the Food and Drug Administration ("FDA") in the United States and Health Products and Food Branch in Canada, need to provide approvals of the Company's products prior to any sales of these products. To obtain such approvals, the Company must submit extensive amounts of information on the efficacy, toxicology, carcinogenicity, mutagenicity and other testing of the products that it is trying to register. After all of the information is provided, the agencies can request supplemental information and further testing. Once all of the requirements for documentation are satisfied, the agencies can take an indeterminate amount of time to provide approvals for the Company to market its products. Significant delays could lead to slower revenue growth than anticipated. In addition, regulatory delays can allow time for competitors to devise strategies to prevent or reduce market penetration. There is no assurance that government agencies will accept for registration any of the Company's products.

***The Company is very dependent on the registration and sale of its commercial, retail and pharmaceutical products.***

If the Company is not successful in achieving regulatory approval of its products, its ability to generate revenues will be impaired. Even if registrations are successful, there is no guarantee that the Company will be able to maintain the registrations or be able to pass inspections by the regulatory authorities that permit the sale of the Company's products. In the event of a failed inspection, it is possible that the Company may be ordered to stop the sale of its products or undertake a recall of products that the regulatory authorities deem to be non-compliant with existing regulations. If the Company is ordered to recall or stop the sale of any of its products, the ability of the Company to generate revenues will be impaired. If such a recall or suspension of sales occurs, there is no guarantee that the Company will, at any future date, be able to resume the sale of the suspended or recalled products.

***There is a risk that the Company's intellectual property infringes upon the rights of other companies, which could lead to reduced revenues, reduced margins due to sanctions against the Company, outright withdrawal or prohibition of products or trademarks from the market and significant costs for legal defense against infringement claims, re-branding of products and revised marketing materials.***

The Company is unaware of any infringement claims being made against the Company or its products or processes at the time of writing. In the future, there can be no assurances that third parties will not assert infringement claims in the future or require the Company to obtain a license for the intellectual property rights of such third parties. There can be no assurance that such a license, if required, will be available on reasonable terms or at all. If the Company does not obtain such a license, it could encounter delays in the introduction of products or could find that the development, manufacture or sale of products requiring such a license could be prohibited.

***There may be limited ability to defend the patents if and when they are issued, leading to loss of sales that might otherwise be realized if the Company was in a position to defend its patents.***

Litigation among pharmaceutical companies can be intense and costly. The Company might not have the financial ability to defend its patents, if issued, against larger industry players. Litigation may be necessary to enforce patents issued or assigned to the Company, or to determine the scope and validity of a third party's

proprietary rights. Additionally, there can be no assurances that the Company would prevail in any such action. An adverse outcome in litigation or as part of an interference or other proceeding in a court or patent office could subject the Company to significant liabilities, require disputed rights to be licensed from other parties or require the Company to cease using certain technology or products, any of which could have a material adverse effect on the Company's business.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **4.A. History and Development of the Company**

#### Capital Pool Company

The Company was incorporated by registration of its Memorandum and Articles under the BC Companies Act on May 30, 2000 under the name "Duft Biotech Capital Ltd." and was classified as a Capital Pool Company ("CPC") on the TSX Venture Exchange. Under the policies of the TSX Venture Exchange, the principal business of a CPC is to identify and evaluate opportunities for acquisition. The completion of such an acquisition is referred to as a Qualifying Transaction. A CPC does not carry on any business other than the identification and evaluation of assets or businesses in connection with potential Qualifying Transactions, does not have business operations or assets other than seed capital and has no written or oral agreements for the acquisition of an asset or business at the time of formation.

A "Qualifying Transaction", pursuant to the policies of the TSX Venture Exchange, is a transaction whereby a capital pool company:

- (a) Issues or proposes to issue, in consideration for the acquisition of significant assets or businesses, common shares or securities convertible, exchangeable or exercisable into common shares, which, if fully converted, exchanged or exercised would represent more than 25 percent of its common shares issued and outstanding immediately prior to the issuance;
- (b) Enters into an arrangement, amalgamation, merger or reorganization with another issuer with significant assets, whereby the ratio of securities which are distributed to the security holders of the capital pool company and the other issuer results in the security holders of the other issuer acquiring control of the resulting entity; or
- (c) Otherwise acquires significant assets other than cash.

#### **Financings**

The Company has financed its operations since inception through funds raised in a series of private placements of common shares:

Fiscal Year Ended June 30,	Nature of Share Issuance	Price per Share	Number of Shares	Amount (\$)
2001	Private Placement @	\$0.34	294,119	\$100,000
2002	Canadian Prospectus Offering (IPO) @	\$0.68	300,000	\$204,000
2003	Broker's Warrant Shares on Canadian Prospectus Offering (IPO) @	\$0.68	37,500	\$25,500
2004	Private Placement @	\$0.60	86,667	\$52,000
	Private Placement @	\$0.80	1,550,000	\$1,240,000
2005	Private Placement @	\$0.40	750,000	\$300,000
2006	Private Placement @	\$0.20	979,000	\$195,800
	Private Placement @	\$0.20	275,000	\$55,000
2007	Private Placement @	\$0.20	357,500	\$71,500
	Private Placement @	\$0.40	2,000,000	\$800,000
2008	Private Placement @	\$0.48	500,000	\$240,000
	Private Placement @	\$0.60	875,000	\$525,000
2009	N/A			N/A
2010	Private Placement @	\$1.00	1,500,000	\$1,500,000
2011	Private Placement @	\$0.40	818,750	\$327,500
	Private Placement @	\$0.40	500,000	\$200,000
2012	Private Placement @	\$0.40	140,000	\$56,000
2013	Private Placement @	\$0.40	2,000,000	\$800,000
2014	Private Placement @	\$0.40	937,500	\$375,000
2015	Private Placement @	\$0.60	1,901,833	\$1,141,100
Stub period ended December 31, 2015	N/A			N/A
31-Dec-16	N/A			N/A

#### 4.B. Business Overview

On August 12, 2013, Vanc Pharmaceuticals Inc. trades on the TSX Venture Exchange in Canada under the symbol "NPH" and on February 23, 2014 on the OTCQB under the symbol "NUVPF".

In 2003, VANC developed a patented infection control formulation, referred to as T<sup>3</sup>6<sup>®</sup>, a mixture of ethanol containing the anti-microbial ingredients o-phenyl phenol ("OPP"), benzalkonium chloride ("BZK"), chlorhexidine gluconate ("CHG") and Nonoxynol-9 ("N-9"). All of these component chemicals are biodegradable. The Company is no longer maintaining patents for the T3/6 product.

The Company is now focused on the manufacturing and distribution of generic and over-the-counter ("OTC") pharmaceuticals.

On April 16, 2014 – the Company announced that it has signed Cross Referencing Agreements ("CRA") for prescription generic products for Canadian markets. These agreements cover 48 prescription generic products and are for acute and chronic diseases.

Management vision is to establish VANC Pharmaceuticals Inc. as an innovative generic pharmaceutical and over-the-counter (“OTC”) healthcare product company in Canada by expanding the portfolio of our generic pharmaceuticals and OTC health care products. Our primary mandate is to provide Canadians with high quality, yet affordable, generic pharmaceuticals and OTC healthcare products.

Vancpharm’s OTC products division is primarily engaged in the marketing and sales of novel and proprietary, OTC healthcare products shown to deliver consistent and reliable results in the prevention of various chronic ailments and conditions.

VANC Pharmaceuticals manufactures its products at Health Canada authorized GMP-manufacturing sites globally. These Health Canada recognized sites are capable of manufacturing a wide range of generic pharmaceuticals and OTC healthcare products, under the VANCPHARM label.

Our leading, Health Canada-approved, OTC products are Hema-fer™ (Premium natural iron supplement for iron deficiency and anemia) and Cortivera (hydrocortisone cream/ointment in combination with Aloe Vera).

### **OTC Products Portfolio**

Our portfolio of OTC products are Hema-fer™ (Natural iron supplement for iron deficiency and anemia), and Cortivera (hydrocortisone cream/ointment in combination with Aloe Vera), Cortivera-H (hydrocortisone cream) and Sennace (natural laxative for temporary relief of constipation).

### **HEMA-FER™**

Hema-Fer™ (NPN: 80065873), a natural iron supplement, manufactured in Canada, contains 12 mg of naturally derived heme iron polypeptide supplement recommended for the prevention of anemia and iron deficiencies. Hema-Fer™ contains the highest strength of heme iron available in Canada. Hema-Fer™ provides a high absorption rate with minimal gastro intestinal side effects.

### **Hb Plus**

The Company received Health Canada approval for Van-Fer tablets (NPN: 80070021) and capsules (NPN: 80070125). The company changed the name of this product to *Hb-Plus* and it contains 300 mg of Ferrous Fumarate, an iron supplement indicated for the prevention of anemia and iron deficiencies. Health Canada has asked us to revise the regulatory classification of the product and thus the new process has been initiated. The old NPNs were withdrawn. Addition of Hb-plus to our OTC product list is part of the company’s focus to develop a repertoire of iron supplement portfolio. The Company is expecting the revised approval by Q3 of 2017.

The iron supplements market in Canada is estimated to be around \$75 million per annum, based on IMS Health 2015 data. The iron supplements with provincial health care coverage constitutes approximately \$20 million. Ferrous Fumarate is the largest molecule of this segment with market sales of about \$12 million.

### **CORTIVERA™, CORTIVERA PLUS™**

Cortivera™ and Cortivera Plus™ (Natural Product Number (NPN): 80037898) are indicated for a wide range of minor skin irritations, allergic reactions and eczema. Both products are formulated with aloe vera and Cortivera™ contains 0.5% hydrocortisone and Cortivera Plus™ contains 1% hydrocortisone. Both are available in cream and ointment form to meet the specific needs of patients. The combination of aloe vera and hydrocortisone offers therapeutic benefits for skin irritations such as minor burns, allergic itch, insect bite itch, sun burn itch, eczema in addition to acting as an anti-inflammatory. The products are made in Canada.

The hydrocortisone topical cream & ointment market in Canada is estimated to be around \$14 million per year, based on IMS Health data.

## **CORTIVERA™-H**

Health Canada has approved Cortivera™-H (NPN: 80066699), another premium topical product from VANC for minor skin irritations. Cortivera™-H has been approved for pharma care reimbursement program in the BC and QC formularies, and is in the process of getting listed in other provincial formularies. Cortivera™-H, a made in Canada product, contains 1% hydrocortisone cream for the treatment of minor skin irritations associated with redness, itching, dryness and scaling; rashes, eczema, insect bites, poison ivy, poison oak, poison sumac, contact Seborrheic dermatitis, psoriasis, external genital feminine itching and anal itching due to hemorrhoids.

The hydrocortisone compounding topical cream market in Canada is estimated to be around \$4 million per year, based on IMS Health data.

## **SENNACE™**

The Company added a new senna laxative product Sennace™ which contains 8.6 mg of sennosides. Company has commenced sales of Sennace from December 2016. This product has received approval for listing in BC and Quebec formulary and is in the process of listing at the other provincial formularies.

The sennosides laxative market in Canada is estimated to be around \$4.5 million per year, based on IMS Health data, 2015. In addition to the above listed OTC products, the company will be adding new molecules that are at the various stages of approval with Health Canada.

## **Generics Product Portfolio**

The Company received Notice of Compliance (NOC) from Health Canada for 41 generic molecules. These 41 molecules will comprise of 92 dosage forms across various therapeutic categories; including both chronic (long term) therapy and acute (short term) therapy. The Notice of Compliance from Health Canada provides the authorization for VANC to market and sell the generic molecules in Canada. The estimated market size for those products is \$820 million based on IMS Health, 2015 source.

The status of Provincial Formulary of the Company's products is the following:

	BC	ON	AB	QC	MB	SK
Number of molecules listed	31	28	20	29	22	17
Under Review	0	4	5	2	7	9
Non-Benefit	7	7	10	1	2	2

A full listing of the molecules and stock keeping units listed in each of the provinces of Canada can be seen at <http://vancpharm.com/products/>. The following table summarizes our portfolio of generic products:

<b>Molecule Name</b>	<b>Presentations</b>	<b>Brand Reference</b>
VAN-Rizatriptan	5 MG and 10 MG Tab	Maxalt™
VAN-Irbesartan	75 MG, 150 MG and 300 MG Tab	Avapro™
VAN-Irbesartan-HCTZ	150+12.5 MG, 300+12.5 MG and 300+25 MG Tab	Avalide™
VAN-Donepezil	5 MG and 10 MG Tab	Aricept™
VAN-Amlodipine	5 MG and 10 MG Tab	Norvasc™
VAN-Losartan	25 MG, 50 MG and 100 MG Tab	Cozaar™
VAN-Losartan-HCTZ	50+12.5 MG and 100+25 MG Tab	Hyzaar™
VAN-Levetiracetam	250 MG, 500 MG and 750 MG Tab	Keppra™
VAN-Gabapentin	600 MG and 800 MG Tab	Neurontin™
VAN-Omeperazole	20 MG DR Tab	Losec™
VAN-Finasteride	5 MG Tab	Proscar™
VAN-Alendronate	5 MG, 10 MG and 70 MG Tab	Fosamax™
VAN-Bicalutamide	50 MG Tab	Casodex™
VAN-Letrozole	2.5 MG Tab	Femara™
VAN-Olanzapine	2.5 MG, 5 MG, 7.5 MG, 10 MG and 15 MG Tab	Zyprexa™
VAN-Sertraline cap	25 MG, 50 MG and 100 MG Cap	Zoloft™
VAN-Anastrozole	1 MG Tab	Arimidex™
VAN-Pantoprazole	40 MG Tab	Pantoloc™

<b>Molecule Name</b>	<b>Presentations</b>	<b>Brand Reference</b>
VAN-Gabapentin	100 MG, 300 MG and 400 MG Cap	Neurontin™
VAN-Ciprofloxacin	250 MG, 500 MG and 750 MG Tab	Cipro™
VAN-Montelukast	4 MG and 5 MG Chew Tabs	Singulair™
VAN-Sildenafil	25 MG, 50 MG and 100 MG Tab	Viagra™
VAN-Fluoxetine	5 MG and 20 MG Tab	Prozac™
VAN-Mycophenolate	250 MG Tab	CellCept™
VAN-Mycophenolate	500 MG Cap	CellCept™
VAN- Quetiapine	25 MG, 100 MG, 200 MG, 300 MG Tab	Seroquel™
VAN- Telmisartan-HCTZ	80+12.5 MG, 80 +25 MG Tab	Micardis Plus™
VAN- Telmisartan	40 MG, 80 MG Tab	Micardis™
VAN- Pioglitazone	15 MG, 30 MG, 45 MG Tab	Actos™
VAN-Montelukast	10 MG Tab	Singulair™
VAN-Citalopram	10 MG, 20 MG, 40 MG Tab	Celexa™
VAN-Zolmitriptan	2.5 MG Tab	Zoming™
VAN-Zolmitriptan-ODT	2.5 MG Tab	Zoming Raplmelt™
VAN-Ramipril	1.25 MG, 2.5 MG, 5 MG, 10 MG and 15 MG Cap	Altace™
VAN-Olanzapine ODT	5 MG, 10 MG, 15 MG and 20 MG Tab	Zyprexa Zydis™
VAN-Topiramate	25 MG, 100 MG, 200 MG Tab	Topamax™
VAN-Metformin	500 MG, 850 MG Tab	Gluocophage™
VAN-Valacyclovir	500 MG Tab	Valtrex™

### **Future Product Pipeline**

The Company is always looking to expand its product portfolio with strategic products which will complement our current products. A few products are currently filed with Health Canada for approval.

### **Sales**

The Company is continually developing the sales of its generic and OTC products. The gross revenue was in amount of \$ 2,461,933 for the year ended December 31, 2016 (six months ended December 31, 2015: \$561,344) Net sales were in amount of \$ 1,013,690 for the year ended December 31, 2016 (six months ended December 31, 2015: \$150,754) after deducting the cost of customer marketing and promotional incentives of \$1,448,243 (six months ended December 31, 2015: \$410,590) for the year ended December 31, 2016.

### **Manufacturing**

The Company does not have any own manufacturing facilities and it currently relies, and expect to continue to rely, on third parties for the manufacture of products. The Company finalized the agreements for its 4 prospective OTC products to manufacture, package and delivering. The suppliers will manufacture and VANC will market and sell these new product lines under its own label.

### **4.C. Organization structure**

The Company is not part of a group and has the following wholly owned subsidiaries, VANC Marine Pharmaceuticals Inc. and Vise Healthcare Inc., the Companies are incorporated in British Columbia. They are currently inactive.

### **4.D. Property, Plant and Equipment**

The Company has no facilities.

The Company uses outside manufacturers for its production needs.

#### **Item 4A Unresolved Staff Comments**

No disclosure necessary.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

This discussion should be read in conjunction with the audited consolidated financial statements of the Company and related notes included therein.

##### **5. A. Operating Results of the Company**

###### **Overview**

In December 2015 the Company commercialized its first OTC product in British Columbia: Cortivera™ and Cortivera Plus™ (Natural Product Number (NPN): 80037898 and) for a wide range of minor skin irritations, allergic reactions and eczema. Subsequently to the reporting period, the Company launched Hema-Fer™ (NPN: 80065873), a premium natural iron supplement.

During the calendar year 2016 the Company continued to maintain all the provincial formulary approvals and renewals for all products in major provinces across Canada. The Company's sales and marketing activities have continued in British Columbia, Alberta, and Ontario. We commenced our operations in Quebec in the middle of October 2017. The Company is planning the expansion of sales and marketing in the Atlantic provinces in Q3 2017. VANC OTC products division is primarily engaged in the marketing and sales of novel and proprietary OTC healthcare products shown to deliver consistent and reliable results in the prevention of various ailments and conditions.

###### **Results of Operations for the stub year ended December 31, 2015**

###### **Revenue**

The Company is continually developing the sales of its generic and OTC products. The gross revenue was in amount of \$ 2,461,933 for the year ended December 31, 2016 (six months ended December 31, 2015: \$561,344) Net sales were in amount of \$ 1,013,690 for the year ended December 31, 2016 (six months ended December 31, 2015: \$150,754) after deducting the cost of customer marketing and promotional incentives of \$1,448,243 (six months ended December 31, 2015: \$410,590) for the year ended December 31, 2016.

###### **Manufacturing**

The Company does not have any own manufacturing facilities and it currently relies, and expect to continue to rely, on third parties for the manufacture of products. The Company finalized the agreements for its 4 prospective OTC products to manufacture, package and delivering. Management anticipates the execution of initial sales orders in early 2016.

###### **Sales and Marketing Expenses**

Sales and marketing expenses in the amount of \$663,822 for the year ended December 31, 2016 (six months ended December 31, 2015: \$103,123). Which consist of sales personnel payroll cost of \$329,091 for the year ended December 31, 2016; marketing and advertising costs in relation with the promotion of generics and OTC products to the market in amount of \$105,658 for the year ended December 31, 2016, logistics and distribution cost of \$161,304 for the year ended December, 2016 and sales force travel and customer relations expenses of \$67,769 for the year ended December 31.

The increase in the sales personnel related costs is due to the hiring of sales force to support the commercial activity in British Columbia and Ontario. The man power was further expanded in Alberta and Quebec in Q4. The Company provides free samples of OTC products as a part of market awareness strategy. The total cost of the free samples is in the amount of \$65,536 for the year ended December 31, 2016 was reported as part of marketing and advertising expense. Marketing expenses in comparable period of 2015 were mostly in relation with attending seminars and conferences.

The Company expect to incur additional expenses associated with sales and marketing activities.

## General and administrative expenses

	Year ended December 31, 2016	Six Months ended December 31, 2015	Year ended June 30, 2015
	\$	\$	\$
Management and consulting fees	242,667	155,084	362,727
Payroll	122,330	149,034	54,665
Provision for Product Returns	99,000	-	-
Investor relations	70,332	58,024	54,334
Office maintenance	55,168	33,881	51,357
Legal and audit	61,409	37,587	37,806
Travel	34,020	33,961	30,441
Insurance	34,453	25,250	18,366
Seminars and conferences	445	14,582	23,084
Rent	46,050	20,429	48,982
Filing and registration fees	62,130	13,688	53,714
Amortization	14,668	8,513	13,900
Bank service charges	1,330	1,690	1,061
Foreign exchange	(3,210)	-	1,337
	<b>840,792</b>	<b>551,723</b>	<b>751,774</b>

The level of general and administrative expenses did not fluctuate significantly in comparison to the previous years.

The higher fee in management and consulting in prior 2015 comparable periods was due to a payment to a full-time CFO, who resigned in December 2015.

The higher cost in payroll during 2016 in comparison to 2015 was due to expansion in financial and regulatory departments.

## Share-based compensation

Share-based compensation for the year ended December 31, 2016 was in amount of \$922,922 (six months ended December 31, 2015: \$630,401; year ended June 30, 2015: \$915,211) and is a non-cash item that represents the allocation of the fair value of options over the vesting period.

In accordance with the option grant terms, the options granted to directors are vested immediately, that resulted in the higher share based compensation in the period of grant.

On May 31, 2016, the Company received TSX Venture Exchange approval to extend the term of 976,250 common share purchase warrants (the "Warrants"). The original term of the Warrants had an expiry date of June 12, 2016. The Company extended the expiry date to December 20, 2016, and amended the exercise price of the Warrants from \$0.50 per share to \$0.40 per share. In all other respects, the terms of the Warrants remained unchanged. The incremental fair value of warrant extension was estimated at \$186,500 using the Black-Scholes option pricing model and the following assumptions: risk free interest rate of 0.61%, expected volatility of 75.25%-110.30%, expected option life of 0.03 year-0.56 year and the expected dividends of \$nil. These warrants expired without exercise as of December 31, 2016.

## 5. B. Liquidity and capital resources

### Liquidity

The Company's operations have been financed through the issuance of common shares. The Company commenced to commercialize its generic and OTC products during the second half of 2015 but have not been able to generate positive cash flows from its operating activity yet. Management anticipate that an additional financings or capital requirements to fund the current commercial operations and working capital will be required to grow the business to the sustainable level.

#### *Cash flows*

#### Sources and Uses of Cash:

	<b>Year ended December 31, 2016</b>	<b>Six Months (stub year) ended December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Cash used in operating activities	(2,064,090)	(1,040,392)
Cash used in investing activities	(6,340)	-
Cash provided by financing activities	362,000	453,527
Cash and Cash Equivalents	427,482	2,135,912

The funds raised during the prior period have been partially used to build the level of stock to commence the commercial operations. The inventory balance as at end of December 31, 2016 was in amount of \$1,056,287 (December 31, 2015: \$1,140,853).

Cash provided by financing activities for the year ended December 31, 2016 in amount of \$362,000, compared to \$453,527 for the year ended December 31, 2015.

### Capital resources

Management devotes financial resources to Company's operations, sales and commercialization efforts, regulatory approvals and business development. The Company will require cash to support working capital.

The future funding requirements will depend on many factors including:

- the extent to which we will be commercially successful in launching our new OTC products;
- the size, cost and effectiveness of our sales and marketing program, distributions and marketing arrangements.

At December 31, 2016 the Company had working capital of \$1,886,976, compared to \$3,207,630 at December 31, 2015. We believe that our cash on hand, the expected future cash inflows from the sale of our products, net proceeds from the warrants exercised, if any, will be sufficient to finance our working capital, operational needs for at least the next 6 months. If our existing cash resources together with the cash we generate from the sales of our products are insufficient to fund our working capital, operational needs, we may need to sell additional equity or debt securities or seek additional financing through other arrangements.

### Critical Accounting Policies

The consolidated financial statements of the Company present the reporting period from January 1, 2016 to December 31, 2016. They have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These accounting principles require the Company's management to make estimates, judgments and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes to the consolidated financial statements. The Company's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events

that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised. Actual results may differ from these estimates under different assumptions or conditions. Significant areas requiring management estimates include accounting for amounts recorded in connection recoverability of inventories, reporting of revenue recognition, bad debt and doubtful accounts, income taxes, accounting for stock-based compensation expense, and commitments and contingencies.

The significant accounting policies that we believe are the most critical in fully understanding and evaluating our reported financial results include revenue recognition, stock-based compensation and fair value measurements of financial instruments. These and other significant accounting policies are described more fully in Note 2 and 3 of our annual consolidated financial statements for the stub year ended December 31, 2015.

#### *Inventories*

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by regulatory changes or other market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and gross margin.

#### *Revenue recognition*

Revenues are recognized when the risks and rewards of ownership have passed to the customer based on the terms of the sale, collection of the relevant receivable is probable, evidence of an arrangement exists and the sales price is fixed or determinable. Risks and rewards of ownership pass to the customer upon successful completion of shipment of pharmaceuticals. Provisions for sales discounts and returns are made on a per sale basis.

#### *Share-based payments*

The Company operates an incentive share purchase option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes option pricing model, which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### **Significant estimates and judgments**

Significant estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### *Inventories*

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by regulatory changes or other market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and gross margin.

#### *Recoverability of the carrying value of intangible assets*

The Company is required to review the carrying value of its intangible assets for potential impairment. Impairment is indicated if the carrying value of the Company's intangible assets exceeds its recoverable value. If impairment is indicated, the amount by which the carrying value of intangible assets exceeds the estimated fair value is charged to the consolidated statement of operations and comprehensive loss.

Evaluating the recoverability requires judgments in determining whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Company's financial ability to continue marketing and sales activities and operations.

#### *Useful lives of depreciable assets*

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain equipment.

#### *Share-based payments*

The Company grants share-based awards to certain directors, officers, employees, consultants and other eligible persons. For equity-settled awards, the fair value is charged to the consolidated statement of operations and comprehensive loss and credited to the reserves over the vesting period using the graded vesting method, after adjusting for the estimated number of awards that are expected to vest.

The fair value of equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. For equity-settled awards to non-employees, the fair value is measured at each vesting date. The estimate of warrant and option valuation also requires determining the most appropriate inputs to the valuation model, including the volatility, expected life of warrants and options, risk free interest rate and dividend yield. Changes in these 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 options and warrants issued.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

### **Changes in Significant Accounting Policies**

There were no changes in the Accounting Policies during the fiscal year ended December 31, 2016.

#### **Accounting standards issued, but not yet in effective**

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the financial statements of these new standards:

##### **IFRS 9 Financial instruments**

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

## IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

## IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

### 5.C. Research and development, patents and licenses etc.

The Company won’t be devoting resources to research, development and patents going forward. The Company is now focused on the manufacture and distribution of generic and over-the-counter (“OTC”) pharmaceuticals.

### 5.D. Trend information

There are significant market swings away from branded pharmaceuticals towards low cost generics. The Company will attempt to integrate itself into this shift.

### 5.E. Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

### 5.F. Tabular disclosure of contractual obligations

The Company has entered into contracts for leased premises, which expire in 2018. Total future minimum lease payments under these contracts are as follows:

	<b>December 31, 2016</b>
	\$
Within 1 year	38,649
2 years	3,239
	<b>41,888</b>

### 5.G. Safe Harbor

This Annual Report on Form 20-F contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, principally in ITEM #4, “Information on the Company” and ITEM #5, “Operating and Financial Review and Prospects”. These statements may be identified by the use of words like “plan,” “expect,” “aim,” “believe,” “project,” “anticipate,” “intend,” “estimate,” “will,” “should,” “could” and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. In particular, these include statements about the Company’s strategy for growth, future performance or results of current sales and production, interest rates, foreign exchange rates, and the outcome of contingencies, such as acquisitions and/or legal proceedings and intellectual property issues.

Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, among other things, the factors discussed in this Annual Report under ITEM #3, “Key Information, Risk Factors” and factors described in documents that the Company may furnish from time to time to the Securities and Exchange

Commission. The Company undertakes no obligation to update publicly or revise any forward-looking statements because of new information.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The following table sets forth certain information as of June 30, 2015 about the Company's current directors and senior management. There have been no subsequent changes to the Company's current directors and senior management, except as footnoted below:

**Table No. 6:**  
Directors and Senior Management:

Name	Age	Position	Other Reporting Companies in Canada or the United States	
			Company	Position
Arun Nayyar	57	CEO, Director	n/a	n/a
Eugene Beukman	59	CFO, Director and Secretary	La Jolla Capital Inc., Lincoln Mining Corporation, Moseda Technologies, Inc., Slam Exploration, Oriental Non-Ferrous Resources Development Inc., TML Ventures Inc, Brakpan Ventures Corp., Burnstone Ventures Inc., Bard Ventures Ltd, Range Energy Resources Inc., Grand Peak Capital Corp., AAN Ventures Inc.	All Directorships
Sukhwinder (Bob) Rai	47	Director	Venturi Ventures Inc.	Director
David Hall	64	Director	RepliCel Life Sciences Inc., GLG Life Tech Corporation	Directorship

**Mr. Arun Nayyar, CEO, Director** is an executive with generic pharma background, global experience, highly focused on people, products and profits. Vast international generic pharmaceutical experience as an accomplished, entrepreneurial, global executive with more than 30 years' experience in global generic companies like Ranbaxy Pharmaceuticals, Accord Health Care and Intas Pharmaceuticals. In-depth knowledge & experience in creating, operating and leading wholly owned subsidiaries, joint ventures, greenfield startup operations with or without manufacturing. Considerable global out sourcing experience while working with Shoppers Drug Mart and Sanis healthcare in Canada. Consultancy projects for Large Retail companies like George Weston Limited for their retail pharmacy Chain LobLaws and other Pharmacy chains under different banners. A science Graduate with Management education and has excellent relations in the Industry to create synergies for mutually beneficial business.

**Mr. Eugene Beukman, CFO, Director & Secretary:** has been a corporate consultant to public companies in Canada since January 1994, primarily involved in the acquisition of assets and joint ventures. Mr. Beukman graduated from Rand University of Johannesburg, South Africa, with a Bachelor of Law Degree and a Bachelor of Law Honors Postgraduate Degree. Overall he has over thirty years' experience in the acquisition of assets and joint venture agreements. Mr. Beukman is an Advocate of the Supreme Court of South Africa. He is a director and/or officer of several reporting companies listed on the TSX Venture Exchange and CNSX

**Mr. Bob Rai, Director** is a registered and practicing pharmacist and a professional member of the College of Pharmacists of British Columbia, with over fifteen years of pharmaceuticals and pharmacy management experience. In addition to operating a chain of The Medicine Shoppe Pharmacies in Greater Vancouver for the past 15 years, he has had several successful entrepreneurial and charitable endeavors. In 1998 Mr. Rai and his partners pioneered and revolutionized the online pharmacy business to the United States. The online sales and distribution of prescription medicines saw unprecedented industry growth and as other operators followed suit, the unique business concept became a billion dollar industry across Canada. Mr. Rai is also Chairman and CEO of Canada Pacific Global Pharmaceuticals and Chairman of its subsidiary, PharmaCanada Inc. (www.earlycancerdetect.com). He has served as President of the Philippines Canada Trade Council (PCTC) from 2006-2007 and held the position of Vice-President from 2004-2006. As President of PCTC, he led a successful Trade Mission to Manila with endorsements from His Excellency Canadian Prime Minister Stephen Harper, Honorable Premier Gordon Campbell of British Columbia and Minister of International Trade and Industry of Canada David Emerson.

In 2013 Mr. Rai was the recipient of the Queen's Diamond Jubilee Medal for his over 18 years of community and volunteer work. His charitable and community volunteer activities include: Alumni UBC Advisory Council representing the Faculty of Pharmaceutical Science, Director of Tapestry Foundation for Health Care, Rotary Club of Vancouver Fraserview and cabinet member of "A Night of Miracles" for BC Children's Hospital.

**Mr. David Hall, Director** is currently Chairman of RepliCel Life Sciences and a consultant to the life sciences industry. Mr. Hall served as CEO and President of RepliCel Life Sciences (the "RepliCel") from 2012 through 2015. He has been instrumental in diversifying RepliCel's cell therapy programs from a single program focused on pattern baldness to three current clinical programs addressing chronic tendinosis and aging, sun damaged skin and pattern baldness as well as the development of a new dermal injector device for the delivery of cells, drugs, biologics and dermal fillers. Prior to RepliCel, Mr. Hall consulted to government, pharma industry, biotech, eHealth and NGO's for two years. For the prior 15 years, Mr. Hall was a business founder, CFO, CCO, Treasurer and Secretary of Angiotech Pharmaceuticals Inc. Mr. Hall is a Past Chair and board member of Life Sciences BC and current director of Providence Health Care Research Institute. He is the author of Life Sciences BC's position papers for the Premier's Competition Council Report and Conversation on Health. Mr. Hall was also a member of the BC Task Force on PharmaCare and serves on the board of directors of the Advantage BC. Mr. Hall holds an Honours degree in Economics and an Honours degree in Finance from the University of Manitoba.

The Directors have served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles/By-Laws of the Company.

No Director and/or member of senior management had been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he is a Director and/or member of senior management, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he is an officer or director from engaging in or continuing any conduct/practice/employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business or of theft or of any felony.

There are no family relationships between any two or more Directors or members of senior management.

There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a Director or member of senior management.

During the period ended December 31, 2016 Mr. Nayyar resigned as CEO, Mr. Rai was appointed as interim CEO.

## 6.B. Compensation

### Cash Compensation

Total compensation accrued and/or paid (directly and/or indirectly) to all Directors/Senior Management during the year ended December 31, 2016 and previous years are detailed in Table No. 7 below:

**Table No. 7  
Annual Compensation of Senior Management**

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Option/SAR's Granted (#)	FMV <sup>(4)</sup> Options (\$)
Eugene Beukman Chief Financial Officer, Secretary <sup>(1)</sup>	2016 <sup>(2)</sup>	Nil	Nil	40,950		
	2015 <sup>(2)</sup>	Nil	Nil	18,000	25,000	42,890
	2015 <sup>(3)</sup>	Nil	Nil	26,380	100,000	73,200
	2014 <sup>(3)</sup>	Nil	Nil	25,200	37,500	24,990
Arun Nayyar Chief Executive Officer <sup>(1)</sup>	2016 <sup>(3)</sup>	Nil	Nil	198,100	Nil	Nil
	2015 <sup>(4)</sup>	Nil	Nil	100,000	Nil	Nil
	2014 <sup>(4)</sup>	Nil	Nil	120,000	337,500	373,550

<sup>(1)</sup> Consulting/management fees were paid to a consulting company owned by senior management;

<sup>(2)</sup> Six months period (stub year) ended December 31, 2015;

<sup>(3)</sup> Year ended June 30;

<sup>(4)</sup> Share-based payments for options granted were measured using the Black-Sholes option pricing model.

**Table No. 8  
Director Stock Option at December 31, 2016**

	Grant date	FMV <sup>(1)</sup> - \$	Issued	Vested	Expiry Date
Arun Nayyar, CEO, Director	Jan 20, 2016	210,600	150,000 @ \$1.40	150,000	Jan 20, 2021
	Jun 5, 2015	232,500	125,000 @ \$2.20	125,000	Jun 05, 2020
	Dec 18, 2014	91,500	125,000 @ \$0.80	125,000	Dec 18, 2019
	Nov 14, 2014	27,750	37,500 @ \$0.60	37,500	Nov 14, 2019
	Jul 25, 2014	21,800	50,000 @ \$0.40	50,000	Jul 25, 2019
	Feb 21, 2014	120,440	250,000 @ \$0.40	250,000	Feb 21, 2019
Eugene Beukman CFO, Director.	Jan 20, 2016	35,100	25,000 @ \$ 1.40	25,000	Jan 20, 2021
	Dec 30, 2015	42,890	25,000 @ \$1.60	25,000	Dec 30, 2020
Bob Rai, Director	Jan 20, 2016	35,100	25,000 @ \$1.40	25,000	Jan 20, 2021
	Dec 30, 2015	42,890	25,000 @ \$1.60	25,000	Dec 30, 2020
	Jun 5, 2015	37,200	20,000 @ \$1.80	200,000	Jun 05, 2020
David Hall, Director	Jan 20, 2016	140,400	100,000 @ \$ 1.404	100,000	Jan 20, 2021

(1) Share-based payments for options granted were measured using the Black-Sholes option pricing model.

The following table gives certain information concerning stock option exercises during Fiscal 2015 by the Company's Senior Management and Directors. It also gives information concerning stock option values.

**Table No. 9**  
**Aggregated Stock Options Exercises in stub year ended December 31, 2015**  
**Fiscal Year-end Unexercised Stock Options**  
**Fiscal Year-end Stock Option Values**  
**Senior Management/Directors**

Name	Number of Shares Acquired on Exercise	Aggregate Value Realized	Value of Unexercised In-the-Money Options at Fiscal Year-End Exercisable/Un-exercisable
Total	0	\$0	\$0

**Director Compensation:** The Company has no formal plan for compensating its Directors for their service in their capacity as Directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors. The Board of Directors may award special remuneration to any Director undertaking any special services on behalf of the Company other than services ordinarily required of a Director. Other than indicated below no Director received any compensation for his services as a Director, including committee participation and/or special assignments.

**Stock Options:** The Company may grant stock options to Directors, Senior Management and employees. Refer to ITEM #6.E., "Share Ownership" and Table No. 8 for information about stock option grants.

**Other Compensation:** No Senior Manager or Director received "other compensation" in excess of the lesser of US\$25,000 or 10% of such officer's cash compensation, and all Senior Managers or Directors as a group did not receive other compensation which exceeded US\$25,000 times the number of persons in the group or 10% of the compensation.

**Bonus/Profit Sharing/Non-Cash Compensation:** Except for the stock option program discussed in ITEM #6.E., the Company had no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to the Company's Directors or Senior Management.

**Pension/Retirement Benefits:** No funds were set aside or accrued by the Company during the year ended December 31, 2016 to provide pension, retirement or similar benefits for Directors or Senior Management.

## **6.C. Board Practices**

### **6.C.1. Terms of Office.**

At every Annual General Meeting of the Company, the Directors are elected by the shareholders and serve as Directors until the next Annual General Meeting is held.

### **6.C.2. Directors' Service Contracts.**

The Company retains the Officer as independent consultants. The Company will not be required to make contributions for employment insurance, Canada Pension, workers' compensation or other similar levies in respect of the fee for services to be paid to the Officers. The Officers agree to pay all required contributions and deductions for income taxes, workers' compensation and employment insurance and shall indemnify and save the Company harmless from and against all claims, actions, losses, expenses, costs or damages which the Company or its officers, employees or agents may suffer as a result of the Consultant's non-compliance with this requirement.

The Officer agrees to provide sufficient time and attention to the business and affairs of the Company, to advise and counsel the Board and to channel to the Company all knowledge, business and customer contacts

and any other information that could concern or be in any way beneficial to the Company. All information communicated to the Company will be the property of the Company. The Officers acknowledge that each is a “person in a special relationship”, as that expression is defined in the securities laws of various provinces of Canada, and may receive material information concerning the business and affairs of the Company that has not been generally disclosed, and covenant and agree that they will not purchase or sell any securities of the Company until such information has been generally disclosed. The Company is aware that the Officers may provide services to certain other companies from time to time as disclosed above. The Officers agree that they will not provide services to any other companies without the written approval of the Company.

The Company will pay a consulting fee in the amount of (Cdn) \$18,550.00 per month to Arun Nayyar for CEO consulting services. The fees payable will be reviewed annually, and may be adjusted by the Company in consultation with the Officers to reflect general economic conditions, changes in the duties provided under this Agreement or performance by the Officers. The Officers are entitled to participate in the Company’s incentive stock option plan (Exhibit 4.m). The Company will reimburse the Officers for all reasonable travelling and other out-of-pocket expenses incurred in connection with services provided to the Company. The Officers will be entitled to participate in any benefit programs established by the Company. To date, no such plans are in place.

Inventions of any type made by the Officers become the sole property of the Company which will hold all intellectual property rights for such inventions. If the Company chooses to patent, copyright, trademark or otherwise protect the inventions, the Officers will assign their rights to the Company. The Officers will treat all information of the company as confidential except any information that is presently in the public domain, any information that subsequently becomes part of the public domain, any information obtained by the Officers from a third party with a valid right to disclose it or any information that was independently developed by the Officers or was in their possession prior to receipt from the Company.

The Officers agree that they shall not engage in any activity that is contrary to or detracts from the performance of the business of the Company, will not receive and personal benefit from any party having business with the Company without the approval of the Board and, during the term of the agreement and for a period of one year afterwards, will not compete with the Company or solicit customers or employees of the Company

The Officers may terminate this Agreement by giving thirty (30) days written notice to the Company. The Company may waive such notice and, if it does so, this Agreement will cease on the date the Company waives such notice. The Company may terminate this Agreement without notice or payment in lieu of notice for breach of the agreement. The Company may terminate this Agreement at its sole discretion and for any reason upon giving the Consultant written notice of termination provided that the Company pays, in lieu of notice, twelve (12) months fee severance. The Company may terminate this Agreement without notice or payment in lieu of notice upon a change of control of the holding company of the Officer or the death or permanent disability of the Officer. Upon termination of this Agreement, the Consultant will promptly return all property. This Agreement may be subject to the acceptance by TSX Venture Exchange and a refusal to do so shall not constitute a default of the Company.

Mr. Beukman, CFO invoices at \$3,000 per month through his company, Pender Street Consulting.

### **6.C.3. Board of Director Committees.**

The Company has an Audit Committee, which is governed by an Audit Committee Charter (filed as Exhibit 11 with the amended 2007 Form 20-F filed on December 3, 2008), recommends to the Board of Directors the engagement of the independent auditors of the Company and reviews with the independent auditors the scope and results of the Company’s audits, the Company’s internal accounting controls, and the professional services furnished by the independent auditors to the Company. The current members of the Audit Committee are: Bob Rai (Interim CEO, Director), Arun Nayyar (CEO, Director) and David Hall (non-management Director). The Audit Committee met four times during the year ended December 31, 2016 to discuss and approve the Company’s audited and quarterly financial statements. The Audit Committee also met subsequent to the Company’s last Annual General Meeting of shareholders.

### **6.D. Employees**

On December 31, 2016 the company employed 8 employees, 5 Sales Representatives, 2 Regulatory Affairs and 1 Contoller.

### 6.E. Share Ownership

Table No. 10 lists, as of December 31, 2016, Directors and Senior Management who beneficially own the Company's voting securities, consisting solely of common shares, and the amount of the Company's voting securities owned by the Directors and Senior Management as a group.

**Table No. 10**  
**Shareholdings of Directors and Senior Management**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)	Options and Warrants exercisable in 60 days from December 31, 2016
Common	N/A	Nil	-	957,500 Options
<b>Total Directors/Management</b>		-	-	957,500 Options

**Stock Options:** The terms of incentive options grantable by the Company are done in accordance with the rules and policies of the TSX Venture Exchange and the British Columbia Securities Commission, including the number of common shares under option, the exercise price and expiry date of such options and any amendments thereto. The Company adopted a formal written stock option plan (the "Plan") on December 13, 2005. (A copy of the Company's Stock Option Plan was filed with the 2005 Form 20-F as Exhibit 4.e.) At every Annual General Meeting of the Company, the Plan is presented to and voted on by the shareholders of the Company. If approved, the terms and conditions of the Plan remain in force for the subsequent year. The Stock Option Plan was amended and passed by a majority of shareholders at the Annual General Meeting held on April 26, 2013. A copy of the amended Stock Option Plan is provided as Exhibit 4.m. It will remain in effect until the next Annual General Meeting of Shareholders.

Such "terms and conditions", including the pricing of the options, expiry and the eligibility of personnel for such stock options, are described below. The terms of the original Stock Option Plan and the major changes in the Stock Option Plan as amended in 2013 ("the 2012 Plan") are described below and provided as Exhibit 4.m.

The principal purposes of the Company's stock option program are to (a) assist the Company in attracting, retaining, and motivating directors, officers and employees of the Company and, (b) to closely align the personal interests of such directors, officers and employees with the interests of the Company and its shareholders.

The Plan provides that stock options may be granted to service providers for the Company. The term "service providers" means:

- (a) Any full or part-time employee or Officer, or insider of the Company or any of its subsidiaries;
- (b) Any other person employed by a company or individual providing management services to the Company;
- (c) Any other person or company engaged to provide ongoing consulting services for the Company or any entity controlled by the Company or
- (d) Any individual engaged to provide services that promote the purchase or sale of the issued securities (any person in (a), (b), (c) or (d) hereinafter referred to as an "Eligible Person"); and
- (e) Any registered retirement savings plan established by such Eligible Person, or any corporation controlled by such Eligible Person, the issued and outstanding voting shares of which are, and will continue to

be, beneficially owned, directly or indirectly, by such Eligible Person and/or spouse, children and/or grandchildren of such Eligible Person.

For stock options to Employees, Consultants or Management Company Employees, the Company must represent that the optionee is a bona fide Employee, Consultant or Management Company Employee as the case may be. The terms “insider” “Controlled” and “subsidiary” shall have the meanings ascribed thereto in the Securities Act (Ontario) from time to time. Subject to the foregoing, the board of directors or Committee, as applicable, shall have full and final authority to determine the persons who are to be granted options under the Plan and the number of shares subject to each option.

The Plan shall be administered by the board of directors of the Company or a committee established by the board of directors for that purpose. Subject to approval of the granting of options by the board of directors or Committee, as applicable, the Company shall grant options under the Plan.

The Plan provides that the aggregate number of shares of the Company, which may be issued and sold under the Plan, will not exceed 10% of the issued shares of the Company. The Company shall not, upon the exercise of any option, be required to issue or deliver any shares prior to (a) the admission of such shares to listing on any stock exchange on which the Company’s shares may then be listed, and (b) the completion of such registration or other qualification of such shares under any law, rules or regulation as the Company shall determine to be necessary or advisable. If any shares cannot be issued to any optionee for whatever reason, the obligation of the Company to issue such shares shall terminate and any option exercise price paid to the Company shall be returned to the optionee.

If a stock option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares reserved for issuance under that expired or terminated stock option shall again be available for the purposes of the Plan. Any stock option outstanding when the Plan is terminated will remain in effect until it is exercised or it expires. The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts, subject to the following conditions:

- (a) Options will be non-assignable and non-transferable except that they will be exercisable by the personal representative of the option holder in the event of the option holder’s death;
- (b) Under the revised 2012 Plan, options may be exercisable for a maximum of five years from grant date rather than five years;
- (c) Under the revised 2012 Plan, options to acquire more than 5% of the issued shares of the Company may be granted to any one individual in any 12-month period the approval of the disinterested shareholders of the Company;
- (d) Options to acquire no more than 2% of the issued shares of the Company may be granted to any one consultant in any 12-month period;
- (e) Options to acquire no more than an aggregate of 2% of the issued shares of the Company may be granted to an employee conducting investor relations activities (as defined in TSX Venture Exchange Policy 1.1), in any 12 month period;
- (f) Options to acquire no more than 10% of the issued shares of the Company may be granted to any insiders in any 12-month period;
- (g) Under the revised 2012 Plan, options held by an option holder who is a director, employee, consultant or management company employee are no longer required to expire within 90 days after the option holder ceases to be a director, employee, consultant or management company employee;
- (h) Under the revised 2012 Plan, options held by an option holder who is engaged in investor relations activities are no longer required expire within 30 days after the option holder ceases to be employed by the Company to provide investor relations activities; and
- (i) In the event of an option holder’s death, the option holder’s personal representative may exercise any portion of the option holder’s vested outstanding options for a period of one year following the option holder’s death.

The Plan provides that other terms and conditions may be attached to a particular stock option, such terms and conditions to be referred to in a schedule attached to the option certificate. Stock options granted to directors, senior officers, employees or consultants will vest when granted unless otherwise determined by the Board on a case by case basis, other than stock options granted to consultants performing investor relations activities, which will vest in stages over 12 months with no more than one-fourth of the options vesting in any three month period.

The price at which an option holder may purchase a common share upon the exercise of a stock option will be as set forth in the option certificate issued in respect of such option and in any event will not be less than the discounted market price of the Company's common shares as of the date of the grant of the stock option (the "Award Date"). The market price of the Company's common shares for a particular Award Date will typically be the closing trading price of the Company's common shares on the day immediately preceding the Award Date, or otherwise in accordance with the terms of the Plan. Where there is no such closing price or trade on the prior trading day "market price" shall mean the average of the most recent bid and ask of the shares of the Company on any stock exchange on which the shares are listed or dealing network on which the shares of the Company trade.

In no case will a stock option be exercisable at a price less than the minimum prescribed by each of the organized trading facilities or the applicable regulatory authorities that would apply to the award of the stock option in question.

Common shares will not be issued pursuant to stock options granted under the Plan until they have been fully paid for by the option holder. The Company will not provide financial assistance or loans to option holders to assist them in exercising their stock options.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **7.A. Major Shareholders**

As of December 31, 2016, all shareholders have the same voting rights attached thereto as all other common shares of the Company except that, under the terms of the Voting Agreement described above and attached as Exhibit 3 to the amended 2007 Form 20-F filed on December 3, 2008. As of December 31, 2016, no shareholder held more than 5% of the Issued and Outstanding Common Shares.

#### **7.A.1.a. Holdings By Major Shareholders.**

Refer to ITEM #6.E and Table No. 10.

#### **7.A.1.b. Significant Changes in Major Shareholders' Holdings.**

---No Disclosure Required---

#### **7.A.1.c. Different Voting Rights.**

The Company's major shareholders do not have different voting rights except as described in the Voting Agreement (Exhibit 3 filed with the amended 2007 Form 20-F on December 3, 2008) which is summarized in Section 4.A., "History and Development of the Company.

### **7.A.2. Canadian Share Ownership.**

On December 31, 2016, the Company's shareholders' list showed 15,001,297 common shares outstanding, an estimated 2,200 registered shareholders. The Company has researched the indirect holding by depository institutions and other financial institutions estimates that there are 2,100 shareholders in Canada.

### **7.A.3. Control of the Company**

The Company is a publicly owned Canadian corporation, the shares of which are owned primarily by Canadian residents and other foreign residents. The Company is not controlled by any foreign government or other person(s) except as described in ITEM #4.A., "History and Development of the Company", and ITEM #6.E., "Share Ownership".



**Basis of preparation**

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Significant estimates and judgments**

The preparation of consolidated financial statements in accordance with IFRS requires the Company's management to make estimates, judgments and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes to the consolidated financial statements. The Company's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

**8.A.7. Legal/Arbitration Proceedings**

There are no legal proceedings against the Company.

**8.B. Significant Changes**

The Company is now focused on the manufacture and distribution of generic and over-the-counter ("OTC") pharmaceuticals.

## ITEM 9. THE OFFER AND LISTING

### 9.A. Common Share Trading Information

The Company's common shares trade on the TSX Venture Exchange in Toronto, Ontario, Canada, under the symbol "NPH". The Company also trades on the OTCQB under the symbol "NPHSF".

Table No. 11 lists the high, low and closing sales prices on the TSX Venture Exchange for the last five months, last seven fiscal quarters, and last five fiscal years.

**Table No. 11**  
**TSX Venture Exchange**  
**Common Shares Trading Activity**

**Canadian Dollars**

	<b>High</b>	<b>Low</b>	<b>Closing</b>
Month ended Mar 31, 2017	0.255	0.23	0.255
Month ended Feb 29, 2017	0.27	0.265	0.27
Month ended Jan 31, 2017	0.28	0.265	0.265
Month ended Dec 31, 2016	0.22	0.205	0.22
Month ended Nov 30, 2016	0.27	0.22	0.22
Fiscal Quarter Ended Dec 31, 2016	0.24	0.22	0.22
Fiscal Quarter Ended Sep 30, 2016	0.33	0.28	0.26
Fiscal Quarter Ended Jun 30, 2016	0.56	0.40	0.38
Fiscal Quarter Ended Mar 31, 2016	0.480	0.325	0.405
Fiscal Quarter Ended Dec 31, 2015	0.475	0.250	0.470
Fiscal Quarter Ended Sep 30, 2015	0.485	0.330	0.400
Fiscal Quarter Ended Jun 30, 2015	0.600	0.350	0.440
Fiscal Quarter Ended Mar 31, 2015	0.940	0.150	0.520
Fiscal Quarter Ended Dec 31, 2014	0.250	0.080	0.215
Fiscal Quarter Ended Sep 30, 2014	0.160	0.070	0.080
Fiscal Year Ended December 31, 2016	0.231	0.214	0.220
Stub year Ended December 31, 2015	0.485	0.250	0.470
Fiscal Year Ended 06/30/2015	0.940	0.070	0.440
Fiscal Year Ended 06/30/2014	0.230	0.060	0.140
Fiscal Year Ended 06/30/2013	n/a	n/a	0.080
Fiscal Year Ended 06/30/2012	n/a	n/a	0.070
Fiscal Year Ended 06/30/2011	0.045	0.045	0.045

#### 9.A.5. Common Share Description

Registrar/Common Shares Outstanding/Shareholders

Effective August 19, 2005, the authorized share capital of the Company was increased to an unlimited number of common shares without par value due to changes in the British Columbia Company Act which permitted this action.

There are no Indentures or Agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights.

Computershare Trust Company of Canada (located at 2nd Floor, 510 Burrard Street, Vancouver, British Columbia Canada V6C 3B9) is the registrar and transfer agent for the common shares.

### Stock Options

Refer to ITEM 6.E., Table No. 10 (Aggregate Option Exercises)

Table No. 12 lists, as of December 31, 2016, share purchase warrants (options to purchase common shares) outstanding, the date the share purchase warrants were issued, the exercise price, and the expiration date of the share purchase warrants. These warrants were issued in conjunction with private placements of the Company's securities and all holders of the Company's warrants are resident in Canada.

**Table No. 12**  
**Share Purchase Warrants Outstanding**

	Year ended December 31, 2016		Six Months ended December 31, 2015		Year Ended June 30, 2015	
	Number of Warrant s	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	1,301,250	\$1.24	1,748,136	\$1.24	2,950,000	\$1.32
Warrants issued	-	-	-	-	1,103,063	\$1.00
Expired/Cancelled	(976,250)	\$0.50	(12,858)	\$1.00	-	-
Exercised	(325,000)	\$0.52	(434,027)	\$1.00	(2,304,928)	\$1.24
Issued and exercisable	-	-	1,301,250	\$1.64	1,748,136	\$1.24

### 9.A.6. Differing Rights

---No Disclosure Necessary---

### 9.A.7.a. Subscription Warrants/Right

---No Disclosure Necessary---

### 9.A.7.b. Convertible Securities/Warrants

---No Disclosure Necessary---

### 9.C. Stock Exchanges Identified

The common shares trade on the TSX Venture Exchange which is headquartered in Toronto, Ontario.

Refer to ITEM #9.A.4 for trading information and history. At this time, the Company is not seeking a listing on any other stock exchange.

## ITEM 10. ADDITIONAL INFORMATION

### 10.A. Share Capital

#### 10.A.1. Authorized/Issued Capital.

At December 31, 2016, there were an unlimited number of common shares authorized and 15,001,297 common shares issued and outstanding.

At December 31, 2015, there were an unlimited number of common shares authorized and 14,296,297 common shares issued and outstanding.

At June 30, 2015, there were an unlimited number of common shares authorized and 13,804,779 common shares issued and outstanding.

At June 30, 2014, there were an unlimited number of common shares authorized and 9,191,768 common shares issued and outstanding.

At June 30, 2013, there were an unlimited number of common shares authorized and 5,404,268 common shares issued and outstanding.

At June 30, 2012, there were an unlimited number of common shares authorized and 1,739,920 common shares issued and outstanding. On March 08, 2012 the Company consolidated its shares on a 10 to 1 basis

At June 30, 2011, there were an unlimited number of common shares authorized and 15,999,200 common shares issued and outstanding.

At June 30, 2010, there were an unlimited number of common shares authorized and 14,680,449 common shares issued and outstanding.

At June 30, 2009, there were an unlimited number of common shares authorized and 12,835,449 common shares issued and outstanding.

At June 30, 2008, there were an unlimited number of common shares authorized and there were 12,377,949 common shares issued and outstanding.

At June 30, 2007, there were an unlimited number of common shares authorized and there were 8,048,101 common shares issued and outstanding.

At June 30, 2006, there were an unlimited number of common shares authorized and there were 5,200,101 common shares issued and outstanding.

Effective August 19, 2005, the authorized share capital of the Company was increased to an unlimited number of common shares without par value due to changes in the British Columbia Company Act which permitted this action.

As of June 30, 2005, there were 25,000,000 common shares authorized and 3,946,101 common shares issued.

As of June 30, 2004, there were 25,000,000 common shares authorized and 3,196,101 common shares issued.

As of June 30, 2003, there were 25,000,000 common shares authorized and 612,868 common shares issued.

As of June 30, 2002, there were 25,000,000 common shares authorized and 594,118 common shares issued.

As of June 30, 2001, there were 25,000,000 common shares authorized and 294,118 common shares issued.

During the last five years, less than 1% of the capital has been “paid for” with assets other than cash.

#### **10.A.2. Shares Not Representing Capital.**

---No Disclosure Necessary---

#### **10.A.3. Shares Held By Company.**

---No Disclosure Necessary---

#### **10.A.4. Stock Options/Share Purchase Warrants**

---Refer to Tables No. 8, No. 11 No. 13.---

#### **10.A.5. Stock Options/Share Purchase Warrants**

---Refer to Tables No. 8, No. 11 No. 13.---

#### **10.A.6. History of Share Capital**

The Company has financed its operations through funds raised in public and private placements of common shares and warrants and from revenues from the sale of its products:

<b>Fiscal Year</b>	<b>Nature of Share Issuance</b>	<b>Number of Shares</b>	<b>Amount (\$)</b>
Fiscal 2001	Private Placement @ \$3.40	29,411	\$100,000
Fiscal 2002	Canadian Prospectus Offering (IPO) @\$6.80	30,000	\$204,000
Fiscal 2003	Broker's Warrant Shares on Canadian Prospectus Offering (IPO) @ \$6.80	3,750	\$25,500
Fiscal 2004	Private Placement @\$6.00	8,666	\$52,000
	Private Placement @\$8.00	155,000	\$1,240,000
Fiscal 2005	Private Placement @ \$4.00	75,000	\$300,000
Fiscal 2006	Private Placement @\$2.00	97,900	\$195,800
	Private Placement @\$2.00	27,500	\$55,000
Fiscal 2007	Private Placement @\$6.00	35,750	\$71,500
	Private Placement @\$4.00	200,000	\$800,000
Fiscal 2008	Private placement @ \$4.80	50,000	\$240,000
	Private placement @ \$6.00	87,500	\$525,000
Fiscal 2009	N/A	N/A	N/A
Fiscal 2010	Private placement @\$10.00	150,000	1,500,000
Fiscal 2011	Private placement @\$4.00	81,875	\$327,500
	Private placement @\$4.00	50,000	\$200,000
Fiscal 2012	Private placement @\$0.40	140,000	\$56,000
Fiscal 2013	Private placement @\$0.40	2,000,000	\$800,000
Fiscal 2014	Private placement @\$0.40	937,500	\$375,000
Fiscal 2015	Private placement @\$0.60	1,901,833	\$1,141,000
Fiscal 2016	N/A	N/A	N/A

#### **10.A.7. Resolutions/Authorizations/Approvals**

---No Disclosure Necessary---

#### **10.B. Memorandum and Articles of Association**

The Company's corporate constituting documents comprising the Notice of Articles and Articles are registered with the British Columbia Registrar of Companies under Incorporation No. BC0607937. A copy of the Articles was filed as an Exhibit 1 with the Company's initial registration statement on Form 20-F.

The following is a summary of certain provisions of the Company's Notice of Articles and Articles and certain provisions of the British Columbia Business Corporations Act (the "BCA"), applicable to the Company:

##### **Objects and Purposes**

The Articles do not specify objects or purposes. Under both the BCA, a British Columbia corporation generally has all the legal powers of a natural person. British Columbia corporations may not undertake certain limited business activities such as operating as a trust company or railroad without alterations to its form of articles and specific government consent.

##### **Share Capital**

The authorized capital of the Company consists of an unlimited number of common shares without par value. All of the common shares must be fully paid and are not subject to any future call or assessment. All of the common shares of the Company rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all shareholder meetings and to attend and vote at such meetings. Shareholders are not entitled to cumulative voting. Each common share carries with it the right to one vote. The common shares do not have preemptive or conversion rights. In addition, there are no sinking fund or redemption provisions applicable to the common shares or any provisions discriminating against any existing or prospective holders of such securities as a result of a shareholder owning a substantial number of shares.

### **Share Certificates**

Under the Articles, a shareholder is entitled to a share certificate representing the number of shares of the Company held or a written acknowledgement of the shareholder's right to obtain such a share certificate.

### **No Limitation on Foreign Ownership**

There are no limitations under the Company's Articles or in the BCA on the right of persons who are not citizens of Canada to hold or vote common shares.

### **Dividends**

Dividends may be declared by the Board out of available assets and are paid ratably to holders of common shares. No dividend may be paid if the Company is, or would thereby become, insolvent.

### **Voting Rights**

Each of the Company's common share is entitled to one vote on matters to which common shares ordinarily vote including the annual election of directors, appointment of auditors and approval of corporate changes. There are no cumulative voting rights applicable to the Company.

### **Borrowing Powers**

The Company, if authorized by the directors, may: (a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate; (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate; (c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and (d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

### **Indemnity Provisions**

Under the Articles and the BCA, the Company is now permitted (and is, in some circumstances, required) to indemnify a past or present director or officer of the Company or an associated corporation without obtaining prior court approval in respect of an "eligible proceeding". An "eligible proceeding" includes any legal proceeding relating to the activities of the individual as a director or officer of the Company. However, under the BCA, the Company will be prohibited from paying an indemnity if: (a) the party did not act honestly and in good faith with a view to the best interests of the Company; (b) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and (c) the proceeding is brought against the party by the Company or an associated corporation.

### **Directors – Number and Qualification**

The Company's Articles do not specify a maximum number of directors. The minimum under British Columbia law for a public company is three. The number of directors shall be the number of directors fixed by the directors annually or the number that are actually elected at a general shareholders meeting under the Existing Articles. The number of directors is determined, annually, by shareholders at the annual shareholders meeting and all directors are elected at that time. Under the Articles the directors are entitled between successive annual general meetings to appoint one or more additional directors but not more than one-third of the number of directors fixed at a shareholders' or actually elected at the preceding annual shareholders' meeting. Directors automatically retire at the commencement of each annual meeting but may be re-elected thereat.

Directors must be of the age of majority (18), and meet eligibility criteria including being mentally competent, not an un-discharged bankrupt, no fraud related convictions in the previous five years. There are residency requirements and there is no mandatory retirement age either under the Articles or under the BCA. Directors need not own any shares of the Company in order to qualify as directors.

### **Directors - Powers and Limitations**

Directors must manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers which are not required to be exercised by the shareholders as governed by the BCA. Directors may, by resolution, create and appoint an executive committee consisting of the director or directors that they deem appropriate. This executive committee has, during the intervals between meetings of

the Board, all of the directors' powers, except the power to fill vacancies in the Board, the power to remove a Director, the power to change the membership of, or fill vacancies in, any committee of the Board and any such other powers as may be set out in the resolution or any subsequent directors' resolution. Directors may also by resolution appoint one or more committees other than the executive committee. These committees may be delegated any of the directors' powers except the power to fill vacancies on the board of directors, the power to remove a director, the power to change the membership or fill vacancies on any committee of the directors, and the power to appoint or remove officers appointed by the directors.

Under the BCA, directors are obligated to abstain from voting on matters in which they may be financially interested after disclosing in writing such interest. Directors' compensation is not a matter on which they must abstain. Directors' borrowing powers are not generally restricted where the borrowing is in the Company's best interests, but the directors may not authorize the Company to provide financial assistance for any reason where the Company is insolvent or the providing of the guarantee would render it insolvent.

### **Amendment of Articles and Notice of Articles; Special Transactions**

The Articles provide that the general authority required to amend all provisions of the Company's Articles and the Notice of Articles relating to the authorized share structure is a resolution of the directors and the attachment of special rights and restrictions thereto, including any changes therein, an ordinary resolution. If the amendment prejudices or interferes with the rights or special rights attached to any class of issued shares, by the provisions of the BCA, the consent of the holders of that class of shares by a special separate resolution is also required.

Certain corporate changes or proposed transactions including amalgamation with another company, sale of substantially all of the Company's assets, re-domiciling out of the jurisdiction of British Columbia, creation of new classes of shares not only require the consent of the holders of common shares by a special separate resolution but generally also give rise to a dissent right which is the right to be paid the fair value of the stockholder's shares in cash if the required special resolution is actually passed and the Company elects to proceed with the matter notwithstanding receipt of dissent notices. A notice of a shareholders meeting at which such a change or proposed transaction is intended to be considered must include a prominent notice of the dissent right. Dissent provisions are governed by the BCA and not by the Articles of the Company.

Under the Articles, a special separate resolution requires a majority of three-quarters of the votes cast.

### **Shareholders' Meetings**

In addition to reflecting the present notice and other provisions of the BCA relating to shareholders' meetings, the Articles provide that shareholders' meetings may be held at such place as is determined by the directors. Shareholders meetings are governed by the Articles of the Company but many important protections and procedures are contained within the BCA and the Securities Act (British Columbia) and the Securities Act (Alberta) and the respective regulations and rules thereto and the policy statements, notices and blanket orders of the respective commissions of each of British Columbia and Alberta, together with the national policy statements, and national instruments applied by the such commissions (collectively, "Applicable Canadian Securities Law"). The Articles provide that the Company will hold an annual shareholders' meeting, will provide at least 21 days' notice and will provide for certain procedural matters and rules of order with respect to conduct of the meeting. The BCA and Applicable Canadian Securities Law superimpose requirements that generally provide that shareholders meetings require not less than a 60 day notice period from initial public notice and that the Company makes a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting proxy and information materials can be sent via the brokerages to unregistered but beneficial shareholders. The form and content of information circulars and proxies and like matters are governed by Applicable Canadian Securities Law and includes the specifies relating to disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party transactions.

The Company must hold an annual shareholders meeting open to all shareholders for personal attendance or by proxy at each shareholder's determination. The meeting must be held within 13 months of the previous annual shareholders meeting and must present audited statements which are dated no more than six months prior to such meeting.

### **Change in Control**

The Company has not implemented any shareholders' rights or other "poison pill" protection against possible take-overs. The Company does not have any agreements which are triggered by a take-over or other change of control. There are no provisions in its articles triggered by or affected by a change in outstanding shares which gives rise to a change in control. There are no provisions in the Company's material agreements giving special rights to any person on a change in control.

### **Insider Share Ownership Reporting**

The Articles of the Company do not require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to the Company's shareholders. There are no requirements under the BCA to report ownership of shares of the Company but Applicable Canadian Securities Law requires disclosure of trading by insiders (generally officers, directors and holders of 10% of voting shares) within 10 days of the trade. Controlling shareholders (generally those in excess of 20% of outstanding shares) must provide seven days advance notice of share sales.

### **Applicable Canadian Securities Law**

Applicable Canadian Securities Law governs matters typically pertaining to public companies such as continuous quarterly financial reporting, immediate disclosure of material changes, insider trade reporting, take-over protections to ensure fair and equal treatment of all shareholders, exemption and resale rules pertaining to non-prospectus securities issuances as well as civil liability for certain misrepresentations, disciplinary, appeal and discretionary ruling matters. All of the Company's shareholders regardless of residence have equal rights under this legislation except as provided for in the Voting Agreement (Exhibit 3.a.).

### **10.C. Material Contracts**

There are currently no material contracts.

### **10.D. Exchange Controls**

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed in ITEM 10, "Taxation" below.

Restrictions on Share Ownership by Non-Canadians: There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians. If a "non-Canadian" (for example, a US resident acquirer) were to acquire such a control position, they would not be required to do any filings or provide any notices to the Ministry of Industry (Canada) unless notified first by that Ministry that their acquisition of control was under review.

Canada has, as does the United States, competition laws designed to promote competition in industry and markets. The Competition Act (Canada) provides Canada's federal government with the power to review or prevent business transactions, such as acquiring a controlling interest in a company similar to the Company, if it is found that the acquisition of control would reduce competition in a given market or industry. Since the market that the Company competes in is extremely competitive, no single company, including the Company, seems to have significant market power. Acquisition of the Company, therefore, would not lead to reduced competition.

## 10.E. Taxation

### *Canadian Federal Income Tax Considerations:*

The following is a brief summary of some of the principal Canadian federal income tax consequences to a holder of common shares of the Company (a "U.S. Holder") who deals at arm's length with the Company, holds the shares as capital property and who, for the purposes of the Income Tax Act (Canada) (the "Act") and the Canada – United States Income Tax Convention (the "Treaty"), is at all relevant times resident in the United States, is not and is not deemed to be resident in Canada and does not use or hold and is not deemed to use or hold the shares in carrying on a business in Canada. Special rules, which are not discussed below, may apply to a U.S. Holder that is an insurer that carries on business in Canada and elsewhere.

Under the Act and the Treaty, a U.S. Holder of common shares will generally be subject to a 5% withholding tax on dividends paid or credited or deemed by the Act to have been paid or credited on such shares. The withholding tax rate is 5% where the U.S. Holder is a corporation that beneficially owns at least 10% of the voting shares of the Company and the dividends may be exempt from such withholding in the case of some U.S. Holders such as qualifying pension funds and charities.

In general, a U.S. Holder will not be subject to Canadian income tax on capital gains arising on the disposition of shares of the Company unless (i) at any time in the five-year period immediately preceding the disposition, 25% or more of the shares of any class or series of the capital stock of the Company was owned by (or was under option of or subject to an interest of) the U.S. holder or persons with whom the U.S. holder did not deal at arm's length, and (ii) the value of the common shares of the Company at the time of the disposition derives principally from real property (as defined in the Treaty) situated in Canada. For this purpose, the Treaty defines real property situated in Canada to include rights to explore for or exploit mineral deposits and other natural resources situated in Canada, rights to amounts computed by reference to the amount or value of production from such resources, certain other rights in respect of natural resources situated in Canada and shares of a corporation the value of whose shares is derived principally from real property situated in Canada.

The US Internal Revenue Code provides special anti-deferral rules regarding certain distributions received by US persons with respect to, and sales and other dispositions (including pledges) of stock of, a passive foreign investment company. A foreign corporation, such as the Company, will be treated as a passive foreign investment company if 75% or more of its gross income is passive income for a taxable year or if the average percentage of its assets (by value) that produce, or are held for the production of, passive income is at least 50% for a taxable year. The Company believes that it was not a passive foreign investment company for the taxable year ended December 31, 2009 and, furthermore, expects to conduct its affairs in such a manner so that it will not meet the criteria to be considered passive foreign investment company in the foreseeable future.

### *Dividends:*

A Holder will be subject to Canadian withholding tax ("Part XIII Tax") equal to 25%, or such lower rate as may be available under an applicable tax treaty, of the gross amount of any dividend paid or deemed to be paid on common shares. Under the Canada-U.S. Income Tax Convention (1980) as amended by the Protocols signed on 6/14/1983, 3/28/1984, 3/17/1995, and 7/29/1997 (the "Treaty"), the rate of Part XIII Tax applicable to a dividend on common shares paid to a Holder who is a resident of the United States and who is the beneficial owner of the dividend, is 5%. If the Holder is a company that owns at least 10% of the voting stock of the Company paying the dividend, and, in all other cases, the tax rate is 15% of the gross amount of the dividend. The Company will be required to withhold the applicable amount of Part XIII Tax from each dividend so paid and remit the withheld amount directly to the Receiver General for Canada for the account of the Holder.

### *Disposition of Common Shares:*

A Holder who disposes of a common share, including by deemed disposition on death, will not normally be subject to Canadian tax on any capital gain (or capital loss) thereby realized unless the common share constituted "taxable Canadian property" as defined by the *Tax Act*. Generally, a common share of a public corporation will not constitute taxable Canadian property of a Holder if the share is listed on a prescribed stock exchange unless the Holder or persons with whom the Holder did not deal at arm's length alone or together

held or held options to acquire, at any time within the five years preceding the disposition, 25% or more of the shares of any class of the capital stock of the Company. The Canadian Venture Exchange is a prescribed stock exchange under the *Tax Act*. A Holder who is a resident of the United States and realizes a capital gain on a disposition of a common share that was taxable Canadian property will nevertheless, by virtue of the Treaty, generally be exempt from Canadian tax thereon unless:

- (a) More than 50% of the value of the common shares is derived from, or from an interest in, Canadian real estate, including Canadian mineral resource properties,
- (b) The common share formed part of the business property of a permanent establishment that the Holder has or had in Canada within the 12 month period preceding the disposition, or
- (c) The Holder is an individual who (i) was a resident of Canada at any time during the 10 years immediately preceding the disposition, and for a total of 120 months during any period of 20 consecutive years, preceding the disposition, and (ii) owned the common share when he ceased to be resident in Canada.

A Holder who is subject to Canadian tax in respect of a capital gain realized on a disposition of a common share must include three quarters of the capital gain (taxable capital gain) in computing the Holder's taxable income earned in Canada. The Holder may, subject to certain limitations, deduct three-quarters of any capital loss (allowable capital loss) arising on a disposition of taxable Canadian property from taxable capital gains realized in the year of disposition in respect to taxable Canadian property and, to the extent not so deductible, from such taxable capital gains realized in any of the three preceding years or any subsequent year.

*United States Taxation:*

For federal income tax purposes, an individual who is a citizen or resident of the United States or a domestic corporation ("U.S. Taxpayer") will recognize a gain or loss on the sale of the Company's common shares equal to the difference between the proceeds from such sale and the adjusted tax basis of the common shares. The gain or loss will be a capital gain or capital loss if the Company's common shares are a capital asset in U.S. Taxpayer's hands.

For federal income tax purposes, a U.S. Taxpayer will be required to include in gross income dividends received on the Company's common shares. A U.S. Taxpayer who pays Canadian tax on a dividend on common shares will be entitled, subject to certain limitations, to a credit (or alternatively, a deduction) against federal income tax liability. A domestic corporation that owns at least 10% of the voting shares should consult its tax advisor as to applicability of the deemed paid foreign tax credit with respect to dividends paid on the Company's common shares.

Under a number of circumstances, United States Investor acquiring shares of the Company may be required to file an information return with the Internal Revenue Service Center where they are required to file their tax returns with a duplicate copy to the Internal Revenue Service Center, Philadelphia, PA 19255. In particular, any United States Investor who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply. United States Investors should consult their own tax advisors concerning these requirements.

The US Internal Revenue Code provides special anti-deferral rules regarding certain distributions received by US persons with respect to, and sales and other dispositions (including pledges) of stock of, a passive foreign investment company. A foreign corporation, such as the Company, will be treated as a passive foreign investment company if 75% or more of its gross income is passive income for a taxable year or if the average percentage of its assets (by value) that produce, or are held for the production of, passive income is at least 50% for a taxable year. The Company believes that it was not a passive foreign investment company for the taxable year ended December 31, 2009 and, furthermore, expects to conduct its affairs in such a manner so that it will not meet the criteria to be considered passive foreign investment company in the foreseeable future.

**10.F. Dividends and Paying Agents**

The Company has not declared any dividends on its common shares for the last five years and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings for use in its operations and the expansion of its business.

Notwithstanding the aforementioned: the Company is unaware of any dividend restrictions; has no specific procedure for the setting of the date of dividend entitlement; but might expect to set a record date for stock ownership to determine entitlement; has no specific procedures for non-resident holders to claim dividends, but might expect to mail their dividends in the same manner as resident holders. The Company has not nominated any financial institutions to be the potential paying agents for dividends in the United States.

**10.G. Statement by Experts**

The Company's auditor for its consolidated financial statements for the year ended December 31, was ADAM SUNG KIM Ltd. Their audit report for the year ended December 31, 2016 is included with the related consolidated financial statements in this Annual Report with their consent attached hereto as an exhibit.

**10.H. Document on Display**

--- No Disclosure Necessary ---

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

--- No Disclosure Necessary ---

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**12.A. Debt Securities**

--- No Disclosure Necessary ---

**12.B. Warrants and Rights**

--- No Disclosure Necessary ---

**12.C. Other Securities**

--- No Disclosure Necessary ---

**12.D. American Depository Shares**

-- No Disclosure Necessary ---

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

--- No Disclosure Necessary ---

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

--- No Disclosure Necessary ---

### ITEM 15. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings, and that information is recorded, processed, summarized and reported as and when required.

There was no significant change in the Company's internal control over financial reporting that occurred during the Company's most recently completed year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

### ITEM 16. RESERVED

#### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERTS

Mr. David Hall and Mr. Arun Nayyar are financially literate members of the Company's Audit Committee. Mr. Bob Rai is considered "independent" and "financially literate", as those terms are defined in applicable securities legislation.

#### ITEM 16B. CODE OF ETHICS

The Company has not adopted a formal code of ethics because, as a TSX Venture Exchange issuer, the Company is only required have an audit committee.

In lieu of a code of ethics, the Company has adopted the following methodology with respect to corporate governance.

The management of VANC is responsible for establishing and maintaining disclosure controls and procedures for information relating to the Company, including its consolidated subsidiaries. The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting.

VANC's Board of Directors facilitates its exercise of independent supervision over management by ensuring that the Board is composed of a majority of independent directors. The Board, at present, is composed of four directors, two of which are considered to be independent except for Mr. Beukman and Mr. Nayyar who are also senior officers. In determining whether a director is independent, the Board considers, for example, whether the director has a relationship, which could, or could be perceived to, interfere with the director's ability to objectively assess the performance of management.

The Board monitors the ethical conduct of VANC and its management and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director’s participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

The Board is specifically responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for all material contracts, business transactions and all debt and equity financing proposals. The independent directors on the Board are also responsible for approving senior executive compensation and retirement plans.

The Board delegates to management, through the officers of Chief Executive Officer and Chief Financial Officer, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company’s business in the ordinary course, managing the Company’s cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

Given the relatively small composition of the Board of Directors and the Company’s management over the last several years, the Board has not appointed a corporate governance committee and these functions are currently performed by the Board as a whole.

**ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES**

**External Auditor Service Fees**

During the year ended December 31, 2016, the Company’s auditors were ADAM SUNG KIM Ltd. The following table sets out the aggregate fees billed by ADAM SUNG KIM Ltd, Chartered Professional Accountants over their engagement with the Company.

<b>Year ended</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
December 31, 2016	\$24,000	\$Nil	\$Nil	\$Nil (0%)

<sup>(1)</sup> Related to assurance and related services that are reasonably related to the performance of the audit and review of the Company’s financial statements and not included in the amounts noted under *Audit Fees*.

<sup>(2)</sup> Related to fees billed by the Company’s external auditor for professional services rendered for tax compliance, tax advice and tax planning.

<sup>(3)</sup> Related to other accounting services that is excluded from the *Audit Fees*.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted an Audit Committee Charter (“Exhibit 11”) governing the provision of audit and non-audit services by the external auditor. This charter requires the Audit Committee to:

1. recommend to the Board of Directors the external auditor to be nominated by the Board of Directors and the compensation of the external auditor (see 4.1.(a) and (b), Exhibit 11) and
2. to pre-approve all non-audit services provided by the external auditor (see 4.1.(n), Exhibit 11).

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

---Not applicable---

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE COMPANY/AFFILIATED PURCHASERS**

---Not Applicable---

## **PART III**

### **ITEM 17. FINANCIAL STATEMENTS**

The Company's financial statements are stated in Canadian Dollars (CDN\$) and are 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").

The financial statements as required under ITEM #17 are attached hereto and found immediately following the text of this Annual Report. The audit report of ADAM SUNG KIM Ltd, Chartered Professional Accountants, is included herein immediately preceding the audited financial statements.

#### **Audited Financial Statements**

-- included after exhibit list

### **ITEM 18. FINANCIAL STATEMENTS**

The Company has elected to provide financial statements pursuant to ITEM #17.

### **ITEM 19. EXHIBITS**

The financial statements thereto as required under ITEM #17 are attached hereto and found immediately following the text of this Annual Report. The report of the Company's independent auditors for the audited financial statements are included herein immediately preceding the audited financial statements.

#### **(A) Financial information**

- (i) Audited Consolidated Financial Statements for the year ended December 31, 2016.
  1. Auditor's Report, dated April 27, 2017.
  2. Consolidated Statements of Financial Position at December 31, 2016.
  3. Consolidated Statements of Comprehensive Loss for the year ended December 31, 2016.
  4. Consolidated Statements of Changes in Equity for the year ended December 31, 2016.
  5. Consolidated Statements of Cash Flows for the year ended December 31, 2016.
  6. Notes to Consolidated Financial Statements.

#### **(B) Index to Exhibits:**

1. Articles of Incorporation – Amendment to Articles of Incorporation, Name Change, July 28, 2014, filed with Form 6-K, November 18, 2014
2. Instruments defining the rights of holders – N/A
3. Voting trust agreements – N/A
4. Material contracts – N/A
5. N/A
6. Calculation of earnings per share – N/A
7. Explanation of calculation of ratios – N/A
8. N/A
9. Statement pursuant to the instructions to Item 8.A.4, regarding the financial statements filed in registration statements for initial public offerings of securities – N/A
10. Notice required by Rule 104 of Regulation BTR – N/A
11. Code of Ethics – Filed with Form 20F, February 27, 2014
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes–Oxley Act of 2002

- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes–Oxley Act of 2002
- 13.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes–Oxley Act of 2002
- 13.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes–Oxley Act of 2002
- 14. Legal opinion – N/A
- 15. N/A
- 16. Mine Safety Disclosures – N/A



**VANC Pharmaceuticals Inc.**

**Consolidated Financial Statements**

For the year ended December 31, 2016 and 2015.

UNIT 114B (2<sup>nd</sup> floor)  
8988 FRASERTON COURT  
BURNABY, BC, V5J 5H8

T: 604.318.5465  
F: 604.239.0866

**Adam Kim**

ADAM SUNG KIM LTD.  
CHARTERED PROFESSIONAL ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of  
Vanc Pharmaceuticals Inc.

I have audited the accompanying consolidated financial statements of Vanc Pharmaceuticals Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flow for the year ended December 31, 2016 in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

**Other Matter**

The consolidated financial statements of the Company for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on April 22, 2016.

***“Adam Sung Kim Ltd.”***  
Chartered Professional Accountant

Burnaby, British Columbia  
April 27, 2017



## INDEPENDENT AUDITORS' REPORT

### **To the Shareholders of VANC Pharmaceuticals Inc.**

We have audited the accompanying consolidated financial statements of VANC Pharmaceuticals Inc., which comprise the consolidated statement of financial position as at December 31, 2015 and June 30, 2015 and the consolidated statements operations and comprehensive loss, changes in equity and cash flows for the six-month period ended December 31, 2015 and year ended June 30, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the consolidated financial statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits 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 VANC Pharmaceuticals Inc. as at December 31, 2015 and June 30, 2015, and its financial performance and its cash flows for the six-month period ended December 31, 2015 and the year ended June 30, 2015 in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern.

#### *Other Matter*

The consolidated financial statements of VANC Pharmaceuticals Inc. as at June 30, 2014 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2014.

A handwritten signature in blue ink that reads "Smythe LLP".

Chartered Professional Accountants  
Vancouver, Canada  
April 22, 2016

**VANC Pharmaceuticals Inc.**  
**Consolidated Statement of Financial Position**  
**For the years ended December 31, 2016 and 2015**

*(Expressed In Canadian Dollars)*

As at	Note	December 31, 2016	December 31, 2015
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		427,482	2,135,912
Accounts receivable	4	719,405	113,198
Prepaid expenses and deposits	5	41,144	63,897
Inventories	6	1,056,287	1,140,853
		<b>2,244,318</b>	<b>3,453,860</b>
<b>Equipment</b>	<b>7</b>	31,017	39,345
<b>Total Assets</b>		<b>2,275,335</b>	<b>3,493,205</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	357,342	246,230
		<b>357,342</b>	<b>246,230</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	9	16,320,006	15,775,145
Contributed surplus	9	3,952,879	3,212,818
Deficit		(18,354,892)	(15,740,988)
		<b>1,917,993</b>	<b>3,246,975</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>2,275,335</b>	<b>3,493,205</b>

Nature of operation and going concern (Note 1)  
Subsequent events (Note 18)

Approved and authorized on behalf of the Board of Directors on April 27, 2017:

“Sukhwinder Bob Rai”  
Sukhwinder Bob Rai, CEO & Director

“Eugene Beukman”  
Eugene Beukman, CFO & Director

The accompanying notes are an integral part of these financial statements

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Loss and Comprehensive Loss

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

	Note	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
		\$	\$	
<b>Revenue</b>				
Sales		2,461,933	561,344	5,713
Customer marketing incentives		(1,448,243)	(410,590)	-
<b>Net sales</b>		<b>1,013,690</b>	<b>150,754</b>	<b>5,713</b>
Cost of Sales		710,912	64,290	2,491
<b>Gross Profit</b>		<b>302,778</b>	<b>86,464</b>	<b>3,222</b>
<b>Expenses</b>				
Product registration and development	10	208,784	930	56,143
Selling and Marketing	11	663,822	103,123	9,858
General and administrative	12	840,792	551,723	751,774
Share-based compensation		922,922	630,401	915,211
		2,636,320	1,286,177	1,732,986
<b>Other income (expense)</b>				
Interest income		8,480	175	126
Other income		2,952	9,124	4,999
Write-down of inventories	6	(291,794)	-	-
Impairment of intellectual property		-	-	(476,000)
		(280,362)	9,299	(470,884)
<b>Net loss and comprehensive loss for the period</b>		<b>(2,613,904)</b>	<b>(1,190,414)</b>	<b>(2,200,648)</b>
Basic and Diluted Loss Per Share		(0.18)	(0.09)	(0.19)
Weighted Average Number of Common Shares Outstanding-Basic and Diluted		14,907,103	13,961,051	11,818,217

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

	Number of Shares	Share Capital	Warrant Reserve	Option Reserve	Deficit	Total
		\$	\$	\$	\$	\$
Balance, June 30, 2014	9,191,759	10,995,282	85,772	1,931,969	(12,349,926)	663,097
Issued during year ended June 30, 2015:						
For cash	1,901,833	1,141,100	-	-	-	1,141,100
For exercise of options	406,250	531,060	-	(274,560)	-	256,500
For exercise of warrants	2,304,928	2,957,245	(84,267)	-	-	2,872,978
Share issuance costs	-	(362,330)	67,553	-	-	(294,777)
Share-based payments	-	-	-	915,211	-	915,211
Net loss	-	-	-	-	(2,200,648)	(2,200,648)
Balance, June 30, 2015	13,804,770	15,262,357	69,058	2,572,620	(14,550,574)	3,353,461
Issued during six months ended December 31, 2015:						
For exercise of options	37,500	48,975	-	(29,475)	-	19,500
For exercise of warrants	434,027	463,813	(29,786)	-	-	434,027
Share-based payments	-	-	-	630,401	-	630,401
Net loss	-	-	-	-	(1,190,414)	(1,190,414)
Balance, December 31, 2015	14,276,297	15,775,145	39,272	3,173,546	(15,740,988)	3,246,975
Issued during year ended December 31, 2016:						
For exercise of options	400,000	359,863	-	(166,863)	-	193,000
For exercise of warrants	325,000	184,998	(15,998)	-	-	169,000
Change of warrants term	-	-	186,500	-	-	186,500
Share-based payments	-	-	-	736,422	-	736,422
Net loss	-	-	-	-	(2,613,904)	(2,613,904)
<b>Balance, December 31, 2016</b>	<b>15,001,297</b>	<b>16,320,006</b>	<b>209,774</b>	<b>3,743,105</b>	<b>(18,354,892)</b>	<b>1,917,993</b>

The accompanying notes are an integral part of these financial statements

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
	\$	\$	
<b>Operating activities</b>			
Net loss	(2,613,904)	(1,190,414)	(2,200,648)
<i>Adjustment for the following items:</i>			
Amortization	14,668	8,513	13,900
Impairment of intellectual property	-	-	476,000
Write-down of inventories	291,794	-	-
Share-based payments	922,922	630,401	915,211
<i>Changes in non-cash working capital items</i>			
Accounts receivable	(606,207)	(86,656)	(10,913)
Prepaid expenses and deposits	22,753	323,222	(384,619)
Inventories	(207,228)	(784,564)	(356,289)
Accounts payable and accrued liabilities	111,112	59,106	62,781
<b>Net cash used in operating activities</b>	<b>(2,064,090)</b>	<b>(1,040,392)</b>	<b>(1,484,577)</b>
<b>Investing activities</b>			
Purchase of property and equipment	(6,340)	-	(30,846)
<b>Net cash used in investing activities</b>	<b>(6,340)</b>	<b>-</b>	<b>(30,846)</b>
<b>Financing activities</b>			
Proceeds from private placement	-	-	1,141,100
Proceeds from exercise of options	193,000	19,502	256,500
Proceeds from exercise of warrants	169,000	434,025	2,872,978
Share issue costs	-	-	(294,777)
Repayment of promissory notes	-	-	(32,978)
<b>Net cash provided by financing activities</b>	<b>362,000</b>	<b>453,527</b>	<b>3,942,823</b>
<b>(Decrease)/increase in cash</b>	<b>(1,708,430)</b>	<b>(586,865)</b>	<b>2,427,400</b>
Cash and cash equivalents, beginning of period	2,135,912	2,722,777	295,377
Cash and cash equivalents, end of period	427,482	2,135,912	2,722,777
<b>Cash and cash equivalents consist of:</b>			
Cash	97,372	385,912	711,277
Guaranteed investment certificates	330,110	1,750,000	2,011,500
Cash and cash equivalents	427,482	2,135,912	2,722,777

## VANC Pharmaceuticals Inc.

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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#### 1. NATURE OF OPERATIONS AND GOING CONCERN

VANC Pharmaceuticals Inc. (the “**Company**”) was incorporated under the Business Corporations Act of British Columbia on May 30, 2000. The Company’s common shares trade on the TSX Venture Exchange (the “**Exchange**”) under the symbol “**NPH**” and are quoted on the OTCIQ Market as “**NUVPF**”. The Company’s registered office is at 1128 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company’s operations consist of the marketing and distribution of generic and over-the-counter (“**OTC**”) pharmaceuticals.

The financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and can realize assets and satisfy liabilities in the normal course of business. The Company has always experienced operating losses and negative operating cash flows. Operations have been funded by the issuance of share capital. These conditions may cast substantial doubt on the Company’s ability to continue as a going concern.

The continuation of the Company as a going concern is dependent upon its ability to generate revenue from its operations, which commenced in the last quarter of fiscal year 2015, or raise additional financing to cover ongoing cash requirements.

The financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

	Year Ended December 31, 2016	Six Months Ended December 31, 2015
Comprehensive loss	(2,613,904)	(1,190,414)
Deficit	(18,354,892)	(15,740,988)
Working capital	1,886,976	3,207,630

#### *Economic dependence*

The Company currently has licensing arrangements with three manufacturers to purchase, distribute and commercialize their drug molecules in Canada. The Company derives over 70% of its gross sales from four distributors for the year ended December 31, 2016. The ability of the Company to sustain operations is partially dependent on the continued operation of these distributors. The launch of new OTC products diversifies the Company’s portfolio and reduces the risk of the economic dependence.

#### 2. BASIS OF PRESENTATION

##### a) Statement of Compliance and basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

##### b) Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The significant accounting policies are presented in Note 3 and have been consistently applied in each of the period presented.

The Company has changed its fiscal year-end from June 30 to December 31. As such, the comparative period ended December 31, 2015 is a stub year, comprised of six months.

## **VANC Pharmaceuticals Inc.**

### **Consolidated Statement of Cash Flows**

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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## **2. BASIS OF PRESENTATION (continued)**

### **b) Basis of presentation (continued)**

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless other indicated.

The preparation of consolidated financial statements in accordance with IFRS requires the Company's management to make estimates, judgments and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes to the consolidated financial statements. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(l). Actual results might differ from these estimates. The Company's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

### **c) Consistency of presentation**

The Company retains the presentation and classification of items in the financial statements from the previous period; however, some items on the statement of operations and comprehensive loss were reclassified to improve the presentation of financial statements.

These consolidated financial statements include the accounts of the Company and its controlled wholly owned subsidiary, Vanc Marine Pharmaceuticals Inc. During the reporting period the subsidiary was remained dormant with neither transactions nor balances.

### **d) Accounting standards issued, but not yet in effective**

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the financial statements of these new standards:

#### **IFRS 9 Financial instruments**

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting ore closely with risk management. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

#### **IFRS 15 Revenue from contracts with customers**

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

**VANC Pharmaceuticals Inc.**

Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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## **VANC Pharmaceuticals Inc.**

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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## **2. BASIS OF PRESENTATION (continued)**

### **d) Accounting standards issued, but not yet in effective (continued)**

#### **IFRS 16 Leases**

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a) Revenue recognition**

Revenues are recognized when the risks and rewards of ownership have passed to the customer based on the terms of the sale, collection of the relevant receivable is probable, evidence of an arrangement exists and the sales price is fixed or determinable. Risks and rewards of ownership pass to the customer upon successful completion of shipment of pharmaceuticals. Provisions for sales discounts and returns are made on a per sale basis.

### **b) Cash equivalents**

Cash equivalents include short-term guaranteed investment certificates readily convertible into a known amount of cash, which is subject to insignificant change in value.

### **c) Inventory**

Inventories consist of raw materials comprising the ingredients used to manufacture OTC pharmaceuticals, as well as the packaging for these products, and finished goods comprising Canadian generic pharmaceuticals. All inventories are recorded at the lower of cost on a weighted average basis and net realizable value. The stated value of all inventories includes purchase, shipping and freight, quality control testing, inventory management and warehousing fees. A regular review is undertaken to determine the extent of any provision for obsolescence.

### **d) Equipment**

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated on a declining balance method over their estimated useful lives. The Company's equipment, which consists of computer, furniture, equipment and leasehold improvement, is amortized at 30%.

### **e) Share-based payments**

The Company operates an incentive share purchase option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes option pricing model, which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

## **VANC Pharmaceuticals Inc.**

### **Consolidated Statement of Cash Flows**

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **f) Share capital**

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

#### **g) Loss per share**

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti dilutive. Basic and diluted loss per share are the same for the periods presented.

#### **h) Income taxes**

Income tax expense, consisting of current and deferred tax expense, is recognized in the statements of operations. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **i) Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. All financial assets and liabilities are recorded at fair value at initial recognition.

The Company classifies its financial instruments as follows:

Cash and equivalents	Fair value through profit or loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liability

## **VANC Pharmaceuticals Inc.**

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **i) Financial instruments (continued)**

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Other financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

#### **j) Significant accounting estimates and judgments**

Significant estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

##### *Inventories*

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by regulatory changes or other market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and gross margin.

##### *Useful lives of depreciable assets*

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain equipment.

##### *Share-based payments*

The Company grants share-based awards to certain directors, officers, employees, consultants and other eligible persons. For equity-settled awards, the fair value is charged to the statement of operations and comprehensive loss and credited to the reserves over the vesting period using the graded vesting method, after adjusting for the estimated number of awards that are expected to vest.

The fair value of equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. For equity-settled awards to non-employees, the fair value is measured at each vesting date. The estimate of warrant and option valuation also requires determining the most appropriate inputs to the valuation model, including the volatility, expected life of warrants and options, risk free interest rate and dividend yield. Changes in these 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 options and warrants issued.

Management must also make significant judgments or assessments as to how financial assets and liabilities are categorized.

## VANC Pharmaceuticals Inc.

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

(Expressed In Canadian Dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### j) Significant accounting estimates and judgments (continued)

##### **Significant judgements**

Significant judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

### 4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

	December 31, 2016	December 31, 2015
	\$	\$
Trade receivables	668,917	81,854
GST receivable	48,242	26,277
Employee advances	2,246	5,067
	<b>719,405</b>	<b>113,198</b>

### 5. PREPAID EXPENSES AND DEPOSITS

The closing balance consists of the deposits for inventory purchase and prepaid expense to vendors of \$26,198 (December 31, 2015: \$138,976), office rent of \$8,420 (December 31, 2015: \$8,420) and prepaid business insurance of \$6,526 (December 31, 2015: \$10,708).

### 6. INVENTORIES

At December 31, 2016, the Company's inventory consists of the following:

	December 31, 2016	December 31, 2015
	\$	\$
Work in progress	5,987	242,415
Finished goods	1,050,300	898,438
	<b>1,056,287</b>	<b>1,140,853</b>

During the year ended December 31, 2016, the Company recorded a write-down of \$291,794 (2015 - \$nil) in inventory.

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

(Expressed In Canadian Dollars)

**7. EQUIPMENT**

	Office Furniture and Equipment	Computer equipment	Laboratory Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, June 30, 2015	1,702	-	36,822	24,182	62,706
Additions	-	-	-	-	-
Balance, December 31, 2015	1,702	-	36,822	24,182	62,706
Additions	369	3,898	2,074	-	6,341
Balance, December 31, 2016	2,071	3,898	38,896	24,182	69,047
<b>Amortization</b>					
Balance, June 30, 2015	592	-	6,579	7,677	14,848
Depreciation	167	-	5,870	2,476	8,513
Balance, December 31, 2015	759	-	12,449	10,153	23,361
Additions	330	1,151	7,085	6,103	14,669
Balance, December 31, 2016	1,089	1,151	19,534	16,256	38,030
<b>Carrying value</b>					
Balance, June 30, 2015	1,110	-	30,243	16,505	47,858
Balance, December 31, 2015	943	-	24,373	14,029	39,345
Balance, December 31, 2016	982	2,747	19,362	7,926	31,017

**8. ACCOUNTS PAYABLE AND ACCRUALS**

The Company's accounts payable and accrued costs consists of the following:

	December 31, 2016	December 31, 2015
	\$	\$
Trade accounts payable	100,342	111,166
Accrued liabilities	257,000	135,064
	<b>357,342</b>	<b>246,230</b>

**9. SHAREHOLDERS' EQUITY****Authorized share capital**

Authorized: Unlimited number of common shares without par value.

Issued: As of December 31, 2016, 15,001,297 (2015: 14,276,297) common shares were issued and outstanding.

On November 1, 2016, the Company consolidated all of the Company's issued and outstanding common shares on the basis of every 4 old common shares being consolidated into 1 new common share. All figures in the consolidated financial statements are adjusted to reflect the 4:1 share consolidation.

## **VANC Pharmaceuticals Inc.**

### **Consolidated Statement of Cash Flows**

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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#### **9. SHAREHOLDERS' EQUITY (continued)**

##### **Issued share capital**

###### ***Year ended December 31, 2016***

During the year ended December 31, 2016, 400,000 shares were issued for the exercise of options, and 325,000 shares were issued for the exercise of warrants.

###### ***Stub year ended December 31, 2015***

During the six months ended December 31, 2015, 37,500 shares were issued for the exercise of options, and 434,027 shares were issued for the exercise of warrants.

###### ***Year ended June 30, 2015***

###### *Private placements*

On December 10, 2014, the Company closed a non-brokered private placement of 1,901,833 units at a price of \$0.60 per unit for gross proceeds of \$1,141,100. Each unit consists of one common share and one-half of one transferrable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share on or before December 10, 2015 at a price of \$1.00. Finder's fees of \$91,287 cash were paid in addition to the issuance of 152,147 warrants. The fair value of the warrants issued to agents was estimated using the Black-Scholes option pricing model and amounted to \$67,533.

Additional share issue costs totaling \$203,490 were incurred relating to options and warrants exercised for the year.

###### **Stock options**

The Company has adopted an incentive share purchase option plan under the rules of the Exchange pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of five years and generally vest either immediately or in specified increments of 25%.

No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the Exchange, shares issued on exercise of options are restricted from trading during the four-month period subsequent to the date of grant.

The changes in share options including those granted to directors, officers and consultants during the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015 are summarized as follows:

## VANC Pharmaceuticals Inc.

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

#### 9. SHAREHOLDERS' EQUITY (continued)

	Year Ended December 31, 2016		Six Months Ended December 31, 2015		Year Ended June 30, 2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Beginning Balance	1,303,750	\$1.52	1,220,000	\$1.08	562,500	\$0.44
Options granted	672,500	\$1.38	201,250	\$1.64	1,063,750	\$1.24
Expired/Cancelled	(115,312)	\$1.51	(80,000)	\$1.80	-	-
Exercised	(400,000)	\$0.48	(37,500)	\$0.60	406,250	\$0.64
Ending Balance	1,460,938	\$1.38	1,303,750	\$1.52	1,220,000	\$1.08
Exercisable	1,184,324	\$1.38	1,035,625	\$1.52	774,375	\$0.76

The following table summarizes information about share options outstanding and exercisable as at December 31, 2016:

Exercise Price	Expiry date	Options	
		Outstanding	Exercisable
\$0.80	19-Feb-17	112,500	112,500
\$2.20	15-Apr-17	57,500	57,500
\$2.20	05-Jun-17	75,000	75,000
\$1.80	09-Sep-17	15,000	11,250
\$1.60	30-Dec-17	12,500	11,261
\$1.40	17-May-18	37,500	12,375
\$1.40	20-Jun-18	50,000	16,500
\$1.40	04-Jul-18	75,000	24,750
\$1.40	18-Jul-18	12,500	4,125
\$0.90	23-Aug-18	10,000	10,000
\$0.72	15-Sep-18	12,500	-
\$0.52	08-May-19	62,500	62,500
\$0.60	14-Nov-19	37,500	37,500
\$0.80	18-Dec-19	125,000	125,000
\$0.80	08-Jan-20	37,500	37,500
\$1.80	15-May-20	37,500	37,500
\$1.80	05-Jun-20	145,000	57,500
\$1.80	19-Aug-20	80,000	80,000
\$1.44	01-Oct-20	6,250	6,250
\$1.60	30-Dec-20	50,000	50,000
\$1.40	20-Jan-21	409,688	355,313
		<b>1,460,938</b>	<b>1,184,324</b>

The following table summarizes information about share options outstanding and exercisable as at December 31, 2015:

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

(Expressed In Canadian Dollars)

**9. SHAREHOLDERS' EQUITY (continued)**

Exercise Price	Expiry date	Options	
		Outstanding	Exercisable
\$0.80	19-Feb-17	112,500	90,000
\$2.20	15-Apr-17	57,500	48,125
\$2.20	05-Jun-17	75,000	37,500
\$1.80	09-Sep-17	15,000	3,750
\$1.60	30-Dec-17	50,000	-
\$0.40	21-Feb-19	250,000	250,000
\$0.52	08-May-19	87,500	87,500
\$0.40	25-Jul-19	50,000	50,000
\$0.60	14-Nov-19	37,500	37,500
\$0.80	18-Dec-19	200,000	200,000
\$0.80	08-Jan-20	37,500	37,500
\$1.80	15-May-20	50,000	25,000
\$1.80	05-Jun-20	145,000	38,750
\$1.80	19-Aug-20	80,000	80,000
\$1.44	01-Oct-20	6,250	-
\$1.60	30-Dec-20	50,000	50,000
		<b>1,303,750</b>	<b>1,035,625</b>

**Share-based payments**

Share-based payments of \$736,422 were recognized during stub year ended December 31, 2016 (December 31, 2015 - \$630,401; June 30, 2015 - \$915,211) for stock options granted and the vesting of options granted in the prior year. Options issued to directors and officers of the Company vested immediately, while those issued to consultants vest in equal quarterly increments every six months, with 25% vesting on grant date.

Share-based payments for options granted and vesting was measured using the Black-Scholes option pricing model with the following weighted average parameters:

	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
Expected life	2.0 – 5.00	4.10	4.10
Volatility	100% - 155%	172%	169%
Dividend yield	0%	0%	1%
Risk-free interest rate	0.47% - 0.58%	0.44%	1.03%

Option pricing models require the use of highly subjective estimates and assumptions, including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

(Expressed In Canadian Dollars)

**9. SHAREHOLDERS' EQUITY (continued)****Warrants**

The Company has issued warrants entitling the holders to acquire common shares of the Company. The summary of changes in warrants is presented below:

	Year ended December 31, 2016		Six Months ended December 31, 2015		Year Ended June 30, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	1,301,250	\$1.24	1,748,136	\$1.24	2,950,000	\$1.32
Warrants issued	-	-	-	-	1,103,063	\$1.00
Expired/Cancelled	(976,250)	\$0.50	(12,858)	\$1.00	-	-
Exercised	(325,000)	\$0.52	(434,027)	\$1.00	(2,304,928)	\$1.24
Issued and exercisable	-	-	1,301,250	\$1.64	1,748,136	\$1.24

The share warrants outstanding and exercisable as at December 31, 2016 is nil.

The following table summarizes information about share warrants outstanding and exercisable as at December 31, 2015:

Expiry date	Exercise Price	Outstanding	
		December 31, 2015	June 30, 2015
December 11, 2015	\$1.00	-	446,886
April 8, 2016	\$0.52	325,000	325,000
June 12, 2016(Extended to December 20, 2016)	\$2.00	976,250	976,250
<b>Issued and exercisable</b>		<b>1,301,250</b>	<b>1,748,136</b>

On May 31, 2016, the Company received TSX Venture Exchange approval to extend the term of 976,250 common share purchase warrants (the "Warrants"). The original term of the Warrants had an expiry date of June 12, 2016. The Company extended the expiry date to December 20, 2016, and amended the exercise price of the Warrants from \$2.00 per share to \$1.60 per share. In all other respects, the terms of the Warrants remained unchanged. The incremental fair value of warrant extension was estimated at \$186,500. The fair value of each warrant was estimated as at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions:

	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
Expected life	0.03 year - 0.56 year	-	1.00
Volatility	75.25%-110.30%	-	179%
Dividend yield	0%	-	0%
Risk-free interest rate	0.61%	-	1.07%

**VANC Pharmaceuticals Inc.**

## Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)***10. PRODUCT REGISTRATION AND DEVELOPMENT**

	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
	\$	\$	\$
Payroll	168,964	-	-
Product registration and licensing fees	39,820	930	56,143
	<b>208,784</b>	<b>930</b>	<b>56,143</b>

**11. SELLING AND MARKETING EXPENSES**

	Year Ended December 31, 2016	Six Months Ended December 31, 2015	Year Ended June 30, 2015
	\$	\$	\$
Payroll (sales personnel)	329,091	-	-
Marketing and advertising	105,658	103,123	9,858
Distribution	161,304	-	-
Travel	67,769	-	-
	<b>663,822</b>	<b>103,123</b>	<b>9,858</b>

**12. GENERAL AND ADMINISTRATIVE EXPENSES**

	Year ended December 31, 2015	Six Months ended December 31, 2015	Year ended June 30, 2015
	\$	\$	\$
Management and consulting fees (Note 13)	242,667	155,084	362,727
Payroll	122,330	149,034	54,665
Bad debts	99,000	-	-
Investor relations	70,332	58,024	54,334
Office maintenance	55,168	33,881	51,357
Legal and audit	61,409	37,587	37,806
Travel	34,020	33,961	30,441
Insurance	34,453	25,250	18,366
Seminars and conferences	445	14,582	23,084
Rent	46,050	20,429	48,982
Filing and registration fees	62,130	13,688	53,714
Amortization	14,668	8,513	13,900
Bank service charges	1,330	1,690	1,061
Foreign exchange	(3,210)	-	1,337
	<b>840,792</b>	<b>551,723</b>	<b>751,774</b>

## VANC Pharmaceuticals Inc.

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

### 13. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise described in the consolidated financial statements are shown below. The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consist of the following:

	Year ended December 31, 2016	Six Months ended December 31, 2015	Year ended June 30, 2015
		\$	\$
Accounts payable and accrued liabilities	3,275	699	-
Expenditures:			
Management and consulting fees	242,667	154,356	149,667
Rent	-	-	4,500

Management and consulting fees includes payments to officers and directors of the Company for services rendered, and include payments to the CEO, CFO and the Corporate Secretary.

Rent expenses consist of fees paid to the former CEO.

All related party transactions were in the normal course of business operations.

### 14. CAPITAL DISCLOSURES

The Company includes shareholders' equity in the definition of capital. The Company's objective when managing capital is to maintain sufficient cash resources to support its day-to-day operations. The availability of capital is solely through the issuance of the Company's common shares. The Company will not issue additional equity until such time when funds are needed and the market conditions become favorable to the Company. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize its dilution to its shareholders.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

### 15. COMMITMENT

#### Leased premises

The Company has entered into contracts for leased premises, which expire in 2018. Total future minimum lease payments under these contracts are as follows:

	December 31, 2016
	\$
Within 1 year	38,649
2 years	3,239
	<b>41,888</b>

## **VANC Pharmaceuticals Inc.**

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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#### **16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

##### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held through a large Canadian financial institution. The cash equivalent is composed of a guaranteed investment certificate and is issued by a Canadian bank with high investment-grade ratings. The Company does not have financial assets that are invested in asset-backed commercial paper.

The Company performs ongoing credit evaluations of its accounts receivable, but does not require collateral. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers and historical data.

The Company monitors the concentration of exposure and where possible, if necessary, takes steps to limit exposure to any counterparty. The Company views credit risk on cash deposits and accounts receivables as minimal.

##### **b) Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company monitors its spending plans, repayment obligations and cash resources, and takes actions with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. To facilitate its expenditure program, the Company raises funds primarily through public equity financing. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at December 31, 2016, the Company's financial liabilities were comprised of accounts payable and accrued liabilities of \$357,342 (December 31, 2015 - \$246,230).

##### **c) Market risk**

Market risk for the Company consists of currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while maximizing returns.

##### **Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As all of the Company's purchases and sales are denominated in Canadian dollars, and it has no significant cash balances denominated in foreign currencies, the Company is not exposed to foreign currency risk at this time.

## **VANC Pharmaceuticals Inc.**

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

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## **16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**

### ***Interest rate risk***

Interest rate risk is the risk that fair values or future cash flows will fluctuate as a result of changes in market interest rates. In respect of financial assets, the Company's policy is to invest cash at floating interest rates and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders.

The Company is not exposed to significant interest rate risk.

### **d) Determination of fair value**

The fair values of financial assets and financial liabilities are determined as follows:

Cash and cash equivalents are measured at fair value. For accounts receivable, accounts payable and accrued liabilities carrying amounts approximate fair value due to their short-term maturity;

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

#### Level 1:

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities and amounts resulting from direct arm's length transactions.

Cash and cash equivalents are valued using quoted market prices or from amounts resulting from direct arm's length transactions. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

#### Level 2:

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term. Derivatives are included in Level 2 of the fair value hierarchy as they are valued using price models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, yield curves and credit spreads. The Company has no financial instruments at this level

#### Level 3:

Inputs for the asset or liability are not based on observable market data. Currently, the Company has no financial instruments at this level.

## VANC Pharmaceuticals Inc.

### Consolidated Statement of Cash Flows

For the year ended December 31, 2016, six months ended December 31, 2015 and year ended June 30, 2015

*(Expressed In Canadian Dollars)*

#### 17. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2016 and six month ended December 31, 2015:

	Year Ended December 31, 2016	Six Months Ended December 31, 2015
	\$	\$
Income (loss) before taxes	(2,613,904)	(1,190,414)
Statutory tax rate	26.0%	26.0%
Expected income tax (recovery)	(679,615)	(309,508)
Non-deductible items	241,475	166,482
Change in estimates	(11,699)	-
Loss expired	-	166,689
Share issue costs	-	(19,205)
Change in deferred tax asset not recognized	449,839	(4,458)
<b>Total income taxes expense (recovery)</b>	<b>-</b>	<b>-</b>

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Unrecognized deductible temporary differences as at December 31, 2016 and December 31, 2015 are comprised of the following.

	December 31, 2016	December 31, 2015
	\$	\$
Non-capital loss carry-forwards	3,170,690	2,715,052
Property and equipment	139,259	135,445
Intangible asset	90,639	90,639
Financing costs	40,777	50,273
	3,441,365	2,991,409
Deferred tax asset not recognized	3,441,365	2,991,409
Net deferred tax asset (liability)	-	-

At December 31, 2016, the Company has non-capital losses carried forward for Canadian income tax purposes totaling approximately \$12,194,962 (2015: \$10,442,959), expiring in various periods from 2026 to 2036.

At December 31, 2016, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

#### 18. SUBSEQUENT EVENTS

On January 27, 2017, the Company granted 300,000 stock options at an exercise price of \$0.22 with an expiry date of January 27, 2022 to a CEO of the Company.

On January 27, 2017, the Company cancelled a total of 1,038,750 stock options.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration report on its behalf.

Dated: May 24, 2017

**VANC PHARMACEUTICALS INC.**

By: /s/Eugene Beukman

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**Eugene Beukman,  
Chief Financial Officer, Director**

**Exhibit 12.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Bob Sukhwinder S Rai**, certify that:

1. I have reviewed this Report on Form 20-F of **VANC Pharmaceuticals Inc.**,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 24, 2017

/s/ Bob Sukhwinder S Rai  
**Bob Sukhwinder S Rai**, Chief Executive Officer

**Exhibit 12.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Eugene Beukman**, certify that:

1. I have reviewed this Report on Form 20-F of **VANC Pharmaceuticals Inc.**,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 24, 2017

/s/ Eugene Beukman  
**Eugene Beukman**, Chief Financial Officer

**Exhibit 13.1**

**Certification Pursuant to 18 U.S.C. Section 1650,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, **Bob Sukhwinder S Rai**, President and Chief Executive Officer of **VANC PHARMACEUTICALS INC.** (the “Company”), certify that to the best of my knowledge:

1. the Report on Form 20-F of the Company for year ended *December 31, 2016* as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **Bob Sukhwinder S Rai**  
**Bob Sukhwinder S Rai**  
Chief Executive Officer  
May 24, 2017

**Exhibit 13.2**

**Certification Pursuant to 18 U.S.C. Section 1650,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, **Eugene Beukman**, Chief Financial Officer of **VANC PHARMACEUTICALS INC.** (the “Company”), certify that to the best of my knowledge:

1. the Report on Form 20-F of the Company for year ended ***December 31, 2016*** as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eugene Beukman

**Eugene Beukman**  
Chief Financial Officer  
May 24, 2017