

2009



Consolidated Financial Statements



 Advitech

Management's Report

Management's responsibility for financial reporting

The Consolidated Financial Statements of Advitech Inc. (the "Corporation"), which have been approved by the Board of Directors, were prepared by Management in accordance with Canadian generally accepted accounting principles and contain certain amounts based on best judgment and estimates, as the final determination of these amounts depends on subsequent events. In Management's opinion, the accounting policies used are appropriate in the circumstances and are adequate for reflecting the financial position and the operating results within reasonable limits of materiality. The financial information presented elsewhere in this Annual Report is consistent with the information contained in the Financial Statements.

In order to carry out its responsibilities with regard to the Financial Statements, Management maintains internal control systems designed to provide a reasonable degree of certainty that transactions are duly authorized, that assets are safeguarded, and that adequate records are kept.

The Audit Committee of the Board of Directors, comprised solely of board members who are neither managers nor employees of the Corporation, ensures that Management assumes its responsibility in terms of Financial Statements. The functions of the Audit Committee are to:

- review the Consolidated Financial Statements and recommend their approval to the Board of Directors;
- recommend the appointment of the external auditors and their fee agreements to the Board of Directors; and
- review other accounting, financial and security matters as required.

The Audit Committee meets regularly with Management and the external auditors. The external auditors may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The external auditors are appointed to report to the shareholders regarding the fairness of the presentation of the Corporation's Consolidated Financial Statements. The auditors fulfil this responsibility by carrying out an independent audit of these Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards.

On behalf of Management,

(signed)

Michael Stangel
President and Chief Executive Officer
April 9, 2010

(signed)

Chris Wutzke
Chief Financial Officer
April 9, 2010



Auditors' Report

To the Shareholders of **Advitech Inc.**

We have audited the consolidated balance sheets of Advitech Inc. (the "Corporation") as at December 31, 2009 and 2008, and the consolidated statements of loss and comprehensive loss, deficit, contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Calgary, Canada
April 9, 2010

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended December 31

	2009	2008
Products sales	\$ 476,620	\$ 1,063,322
Cost of sales	283,512	492,964
Gross profit	193,108	570,358
Operating Expenses		
Royalties on products sales	17,246	49,691
Selling, general and administrative expenses	1,291,809	1,326,384
Research and development expenses, net of grants and tax credits	299,857	322,973
Financial expenses	200,630	418,580
Depreciation of fixed assets (Note 7)	111,879	19,614
Amortization of intangible assets (Note 8)	25,101	21,858
Foreign exchange loss (gain)	8,743	(67,811)
Stock-based compensation (Note 11)	20,672	18,486
	1,975,937	2,109,775
Net Loss and comprehensive loss	\$ (1,782,829)	\$ (1,539,417)
<i>Further information on the earnings (Note 18)</i>		
Net loss per share, basic and diluted (Note 12)	\$ (0.063)	\$ (0.168)

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

Years ended December 31

	2009	2008
Balance, beginning of the year	\$ 1,644,179	\$ 1,625,693
Warrants issued upon issue of the units	1,121,000	-
Redemption of warrants	(125,000)	-
Stock-based compensation (Note 11)	20,672	18,486
Balance, end of the year	\$ 2,660,851	\$ 1,644,179

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31

	2009	2008
Balance, beginning of the year	\$ (12,961,517)	\$ (11,422,100)
Unit issue expenses	(251,113)	-
Effect of early conversion of convertible debentures (Note 10)	(949,767)	-
Net loss	(1,782,829)	(1,539,417)
Balance, end of the year	\$ (15,945,226)	\$ (12,961,517)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 31

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,032,632	\$ 278,224
Accounts receivable	420,543	645,595
Tax credits receivable	58,569	114,123
Inventories (Note 6)	1,825,436	129,059
Prepaid expenses	68,432	3,259
	4,405,612	1,170,260
Fixed assets (Note 7)	2,208,328	49,033
Intangible assets (Note 8)	235,501	197,003
	\$ 6,849,441	\$ 1,416,296
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,093,040	599,464
Deferred revenue	7,290	-
Current portion of long-term debt (Note 9)	260,881	172,137
	1,361,211	771,601
Long-term debt (Note 9)	950,080	435,577
Convertible debentures (Note 10)	28,086	1,620,730
	2,339,377	2,827,908
Shareholders' equity		
Share capital (Note 11)	17,785,651	9,392,526
Contributed surplus	2,660,851	1,644,179
Equity component of convertible debentures (Note 10)	8,788	513,200
Deficit	(15,945,226)	(12,961,517)
	4,510,064	(1,411,612)
	\$ 6,849,441	\$ 1,416,296

Going concern (Note 2)

Commitments and guarantees (Note 13)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board,*(signed)*

Aki Georgacacos, CA, CFA, CF
 Director
 Chair of the Board of Directors

(signed)

Pierre Labbé, CA
 Director
 Chair of the Audit Committee

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2009	2008
OPERATING ACTIVITIES		
Net Loss	\$ (1,782,829)	\$ (1,539,417)
Adjustments for items not affecting cash		
Stock-based compensation (Note 11)	20,672	18,486
Interest charged & capitalized (Notes 9 & 10)	143,985	103,346
Depreciation of fixed assets (Note 7)	111,879	19,614
Amortization of intangible assets (Note 8)	25,101	21,858
	<u>(1,481,192)</u>	<u>(1,376,113)</u>
Change in non-cash working capital items		
Accounts receivable and prepaid expenses	398,716	(17,083)
Tax credits receivable	55,554	11,448
Inventories	(51,026)	16,543
Accounts payable, accrued liabilities and deferred revenues	(430,568)	316,634
	<u>(27,324)</u>	<u>327,542</u>
	<u>(1,508,516)</u>	<u>(1,048,571)</u>
INVESTING ACTIVITIES		
Business combination (Note 5)	174,396	-
Additions to fixed assets	(911)	(5,162)
Increase in intangible assets	(63,599)	(81,804)
	<u>109,886</u>	<u>(86,966)</u>
FINANCING ACTIVITIES		
Increase (decrease) in bank loan	-	(90,892)
Repayment of long-term debt	(104,265)	(48,906)
Increase in long term-debt (Note 9)	6,987	398,384
Issue of units	3,515,000	-
Unit issue expenses	(251,113)	-
Repayment of capital leases	(13,572)	(3,284)
	<u>3,153,037</u>	<u>255,302</u>
Increase (decrease) in cash and cash equivalents	<u>1,754,408</u>	<u>(880,235)</u>
Cash and cash equivalents - beginning of the year	278,224	1,158,459
Cash and cash equivalents - end of the year	<u>\$ 2,032,632</u>	<u>\$ 278,224</u>
Additional information : Interest paid	\$ 40,929	\$ 286,583
Cash and cash equivalents		
Cash	\$ 505,632	\$ 278,224
Cash equivalents	1,527,000	-
	<u>\$ 2,032,632</u>	<u>\$ 278,224</u>

Non-cash transactions

During the year, fixed assets were acquired for a total amount of \$8,386 (\$25,095 in 2008), of which \$7,475 (\$19,933 in 2008) was financed by a capital lease. Disbursements of \$911 (\$5,162 in 2008) were made to purchase fixed assets.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

1. STATUTES AND NATURE OF ACTIVITIES

Advitech Inc. (the "Corporation"), which includes its wholly-owned subsidiaries Botaneco Specialty Ingredients Inc. and Botaneco Inc. since November 20, 2009, develops and markets clinically proven efficacious natural ingredients and oral and topical formulations targeting skin health and well-being.

The Corporation was formed on June 30, 2004, pursuant to the *Canadian Business Corporations Act* (CBCA) as a result of the amalgamation of Dupont Capital Inc., a capital pool company, and Advitech Solutions Inc., a company incorporated on May 31, 1995, under the CBCA.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

During the year ended December 31, 2009, the Corporation incurred a net loss of \$1,782,829 (2008 - \$1,539,417) and used cash from operations of \$1,508,516 (2008 - \$1,048,571). To date, the Corporation has relied primarily upon proceeds from private placements and public offerings of its common shares and loans and grants under various government programs to fund its operations. Anticipated investment in the development and commercialization of its products, and investment in working capital to support growth in revenue, could result in the Corporation's current cash resources being depleted in the latter half of 2010. Remedial funding could include a combination of loans, grants or the issue of additional equity securities, which could result in dilution to existing shareholders. However, there can be no assurance that the Corporation will succeed at its plans and that additional funding will be available or, if available, that it will be available under acceptable terms.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional funding to support its research and development programs, manage its foreign currency exposures, defend its patent rights and to grow its business to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

3. ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and all amounts are expressed in Canadian dollars.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting of contingent assets and liabilities as well as the reported amounts of operating revenues and expenses during the reporting period. Actual results could differ from these estimates.

Consolidation

The Corporation's financial statements include the accounts of the Corporation the accounts of its subsidiaries, Botaneco Specialty Ingredients Inc. and Botaneco Inc., since their acquisition on November 20, 2009.

Foreign currency translation

Account balances and transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rates prevailing during the year, except for amortization, which is translated at historical rates. Translation gains and losses are reflected in net earnings.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of raw materials and of finished goods is determined using the first in, first out method. The cost of finished goods is composed of raw material and sub-contractor costs.

Fixed assets

Fixed assets are recorded at cost. With the exception of leasehold improvements, which are depreciated on a straight-line basis, fixed assets are depreciated over their estimated useful lives using the diminishing balance method at the following annual rates:

Laboratory and R&D equipment	20%
Furniture and office equipment	20%
Computer hardware and software	30%
Automotive equipment	30%
Leasehold improvements	Lesser of lease term and useful lives

Intangible assets

Intangible assets consist of a license, patents and trademarks, and are recorded at cost. This cost includes professional fees and other direct costs incurred to secure them. Amortization is calculated over their useful lives using the straight-line method and the following periods:

License	10 years
Patents	20 years
Trademarks	10 years

Impairment of long-lived assets

Long-lived assets are tested for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Impairment exists when carrying value exceeds the total undiscounted cash flows expected from use and eventual disposition of long-lived assets. The amount of the impairment is the excess of the carrying value over its fair value.

Financial instruments

Financial assets are classified as one of the following: held for trading, held to maturity, available for sale or loans and receivables. Financial liabilities are classified as held for trading or other financial liabilities. An entity can designate any financial instrument as held for trading upon initial recognition, even if this financial instrument does not satisfy the definition of a financial instrument held for trading. Financial instruments classified as held for trading under the fair value option must have a reliable fair value.

Cash and cash equivalents

Cash and cash equivalents consist of cash, payments in transit and guaranteed investment certificates that are highly liquid investments held for the purpose of meeting short-term cash commitments and are classified as held for trading. The change in fair value of assets classified as held for trading is recorded in earnings as investment income presented as a reduction to financial expenses.

Accounts receivable

Accounts receivable are classified as loans and receivables. They are recorded at cost, which at initial recognition corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost, which generally corresponds to the initially recognized amount less any allowance for doubtful accounts.

Financial liabilities

The Corporation has chosen to classify its financial liabilities (accounts payable, accrued liabilities, long-term debt and convertible debentures) as other liabilities. Financial liabilities are initially measured at cost, and subsequent revaluations are recorded at amortized cost using the effective interest rate method.

Transaction costs related to financial instruments

Transaction costs related to financial assets classified as held for trading are recorded in earnings as they are incurred. Transaction costs related to financial liabilities classified as other liabilities are capitalized and amortized to earnings using the effective interest rate method.

Revenue recognition

The Corporation recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured.

Royalty expenses

Royalties on product sales are recorded as an expense when revenue is recognized, and are computed as a percentage of the sales based on specific licenses of intellectual property.

Research and development expenses

All costs related to development activities that do not meet generally accepted criteria for deferral and research expenses are expensed as incurred. Development costs that meet the generally accepted criteria for deferral are capitalized, net of related tax credits and government grants, and are amortized against earnings over the estimated benefit period. As at December 31, 2009 and 2008, the Corporation had not deferred any development costs.

Government assistance and tax credits

Government grants pertaining to operating expenses are charged to earnings when the related expenses are incurred. Government grants pertaining to fixed assets are recorded as a reduction to the cost of the related asset acquired. Government grants are recorded when reasonable assurance exists that the Corporation has complied, and will continue to comply, with all the terms and conditions of the grant. The Corporation incurs research and development expenditures that are eligible for tax credits. The tax credits are based on Management's estimates of amounts that are expected to be recovered and are subject to an audit by the taxation authorities.

Stock-based compensation and other stock-based payments

The Corporation accounts for the cost of stock options granted using the fair value method. Under this method, the cost of the stock options is recorded as an expense over the service period, and the corresponding amount is recorded in the Corporation's contributed surplus. Furthermore, all stock-based awards made to non-employees are also measured using the fair value method.

Income taxes

The Corporation uses the asset and liability method to account for income taxes. Under this method, future income taxes are recognized on the basis of the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. A future income tax asset is recognized to the extent that it is more likely than not to be realized.

Loss per share

Loss per share is calculated using the weighted average number of outstanding shares during the year. The weighted average number of outstanding shares is the same for both basic and diluted per-share calculations, since the potential addition of shares through convertible debentures, options and warrants is anti-dilutive.

4. CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies starting January 1, 2009

The CICA has issued Section 3064, *"Goodwill and Intangible Assets,"* replacing Section 3062, *"Goodwill and Other Intangible Assets"* and Section 3450, *"Research and Development Costs."* The new requirements apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Corporation adopted these new standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement and presentation of goodwill subsequent to initial recognition and for intangible assets by profit-oriented enterprises. The standards on goodwill are the same as those described in Section 3062.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are: Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 Inputs that are not based on observable market data. The Corporation's financial instruments measured at fair value on the balance sheets are limited to cash and cash equivalents. Under the new disclosure requirements, cash and cash equivalents are classified as Level 1.

On January 1, 2009, the Company adopted the CICA's EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no significant impact on the Corporation's financial statements.

Future changes in accounting policies

In January 2009, the CICA issued Section 1582, "Business Combinations", which will replace the former guidance on business combinations. Under the new standard, the purchase price used in a business combination is based on the fair value of consideration exchanged at the date of exchange. Currently the purchase price used is based on the fair value of the consideration for a reasonable period before and after the date of acquisition is agreed upon and announced. The new standard generally requires that acquisition costs be expensed, which are currently capitalized as part of the purchase price. In addition, the new standard modified the accounting for contingent consideration and negative goodwill. Section 1582 is effective for the Corporation on January 1, 2011 with prospective application and early adoption permitted. Once adopted, this standard will impact the accounting treatment of future business combinations.

In January 2009, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. These sections are effective for the Company on January 1, 2011 with prospective application and early adoption permitted. The adoption of these standards is not expected to have a material impact on the Corporation's financial statements.

In December 2009, the CICA issued Emerging Issue Committee Abstract ("EIC") 175, "Revenue Arrangements with Multiple Deliverables", an amendment to EIC 142, "Revenue Arrangements with Multiple Deliverables". EIC 175 provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. EIC 175 also includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. EIC 175 is effective prospectively, with retrospective adoption permitted, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted; however, early adoption during an interim period requires retrospective application from the beginning of the fiscal year. The Corporation is currently evaluating the impact of the adoption of this new EIC on the financial statements.

5. BUSINESS ACQUISITION

On November 20, 2009, the Corporation acquired all the issued and outstanding shares of Botaneco Specialty Ingredients Inc. ("Botaneco"). Botaneco, a private Corporation located in the Calgary region in Canada, develops and produces a branded line of non-transgenic oil body-based ingredients marketed under the tradename Hydresia™ for cosmetic, personal care and prescription topical dermatology products.

Consideration of \$2,523,108 was paid for the shares acquired, comprised of 28,099,003 common shares of the Corporation valued at \$2,697,504 (\$0.096 per share), less cash of \$174,396 acquired. The acquisition was recorded using the purchase method and, consequently, the operating results of the acquired enterprise have been included in the Corporation's consolidated results since the acquisition date of November 20, 2009.

The purchase price was allocated based on the estimated fair value of the net assets acquired on the acquisition date, as follows.

		2009
Assets acquired, excluding acquired cash:		
Accounts receivable	\$	210,635
Inventories		1,645,351
Prepaid expenses		28,202
Fixed assets		2,262,788
Liabilities assumed:		
Accounts payable and accrued liabilities		(931,434)
Current portion of long-term debt		(38,353)
Long-term debt		(654,081)
		\$ 2,523,108

6. INVENTORIES

		2009	2008
Finished goods	\$	168,613	\$ 66,181
Raw materials		1,656,823	62,878
		\$ 1,825,436	\$ 129,059

7. FIXED ASSETS

	2009			2008		
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
Laboratory and R&D equipment	\$ 1,061,162	\$ 72,581	\$ 988,581	\$ 55,504	\$ 48,286	\$ 7,218
Vehicle	7,041	231	6,810	-	-	-
Leasehold Improvements	1,152,835	68,826	1,084,009	-	-	-
Furniture and office equipment	144,348	56,608	87,740	89,919	67,523	22,396
Computer hardware and software	67,457	26,269	41,188	52,559	33,140	19,419
		\$ 2,432,843	\$ 224,515	\$ 197,982	\$ 148,949	\$ 49,033

8. INTANGIBLE ASSETS

	2009			2008		
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
Patents & License	\$ 321,584	\$ 95,509	\$ 226,075	\$ 264,968	\$ 70,713	\$ 194,255
Trademarks	10,036	610	9,426	3,054	306	2,748
		\$ 331,620	\$ 96,119	\$ 268,022	\$ 71,019	\$ 197,003

9. LONG-TERM DEBT

	2009	2008
Bank loan for \$390,884, bearing interest at prime rate plus 4.25%, repayable in monthly instalments of \$9,307 of principal plus interest, and secured by the Corporation's assets and by a guarantee from Investissement Québec, maturing in June 2012	\$ 307,123	\$ 390,884
Participative loan, bearing interest at 12%, repayable in 24 equal instalments of \$7,553 blended principal and interest, maturing in May 2011	117,540	128,745
Commercialization loan, non-interest bearing, repayable in four annual instalments of \$25,000 commencing March 2010	45,702	45,702
Commercialization loan, non-interest bearing, repayable in 60 monthly instalments commencing September 2012	6,987	-
Participative Loan, non-interest bearing, repayable based on a percentage of Botaneco's gross revenue up to two times the amount received, commencing first quarter of 2010, secured by Botaneco's assets	416,158	-
Repayable contribution under the Agri-Opportunities program, non-interest bearing, repayable in five annual consecutive instalments commencing April 2014	30,465	-
Promissory Note issued to a shareholder, bearing interest at 8%, repayable in 36 equal blended instalments of principal and interest commencing November 2011	122,438	-
Capital lease for office equipment, repayable in quarterly instalments of \$760 including implicit interest at 10.83%, maturing in March 2012	6,114	8,429
Capital lease for computer equipment, repayable in monthly instalments of \$342 including implicit interest of 15.67%, maturing in July 2011	5,189	8,220
Capital lease for telephone system, repayable in monthly instalments of \$254 including implicit interest of 14.48%, maturing in May 2012	6,008	-
Capital lease for steam generator, repayable in monthly instalments of \$2,000 including implicit interest of 51.4%, maturing in May 2010	7,753	-
Capital lease for seed bins, repayable in monthly instalments of US\$1,461 including implicit interest of 10.8%, maturing in January 2011	22,721	-
Capitalized interest and implicit interest	116,763	25,734
	1,210,961	607,714
Current portion of long-term debt	260,881	172,137
	\$ 950,080	\$ 435,577

During 2009, the Corporation amended its agreement with the lender of the participating loan to provide that payments of principal, royalties and interest for the first six months of the fiscal year be deferred and capitalized to the then outstanding loan balance.

During 2009, the Corporation negotiated an amendment with the lender of the term loan to defer scheduled interest payments for the months of August to October 2009.

During 2009, a non-interest bearing commercialization loan facility for up to \$200,000 was arranged with a government agency. As at December 31, 2009, \$19,656 was drawn under this facility, of which \$12,669 was recorded as government assistance against commercialization expenses. Imputed interest at 20% was computed using the effective interest rate method. As described in Subsequent Events (Note 20), this loan was required to be repaid in March 2010, so has been classified as current.

Principal payments on the long-term debt over the next five years are as follows: \$252,877 in 2010, \$197,071 in 2011, \$177,981 in 2012, \$133,967 in 2013 and \$150,040 in 2014.

Future minimum payments to be made on capital leases over the next five years are as follows: \$37,204 in 2010 (\$3,353 in interest), \$12,848 in 2011 (\$648 in interest), and \$1,776 in 2012 (\$42 in interest).

10. CONVERTIBLE DEBENTURES

	2009	2008
Convertible debentures, issued in June 2006, 12% interest, unsecured, maturing in June 2011	\$ -	\$ 250,000
Convertible debentures, issued in February 2007, 12% interest, unsecured, maturing in January 2012	-	500,000
Convertible debentures, issued in March 2007, 12% interest, unsecured, maturing in January 2012	31,000	448,000
Convertible debentures, issued in April 2007, 12% interest, unsecured, maturing in June 2011	-	725,000
Less : Equity component of convertible debentures	(8,788)	(513,200)
	22,212	1,409,800
Interest implicit and capitalized on convertible debentures, and issue expenses	5,874	210,930
	\$ 28,086	\$ 1,620,730

On April 17, 2009, the Corporation completed the conversion of 98.39% of its issued and outstanding debentures plus accrued interest, for a total amount of \$2,091,710 and 104,585,485 common shares at a pre-consolidation price of \$0.02 per share. A translation adjustment of \$135,143 was recorded in share capital, and an amount of \$949,767 representing the value of additional common shares issued upon conversion due to a beneficial change made to conversion privileges under EIC-96, *Accounting for the Early Extinguishment of Convertible Securities Through Induced Early Conversion*, was recorded in the Corporation's deficit (Note 11).

SHARE CAPITAL

Authorized

Unlimited number of shares
Common shares, voting, without par value
Preferred, without par value and issuable in series

Issued

	2009		2008	
	Number of shares	Amount	Number of shares	Amount
Common shares outstanding at the beginning of the year	9,141,465	\$ 9,392,526	9,141,465	\$ 9,392,526
Common shares issued in connection with the issue of units - March 2009	6,250,000	770,000	-	-
Common shares issued on conversion of debentures	13,073,185	3,176,621	-	-
Common shares issued in connection with the acquisition of Botaneco	28,099,003	2,697,504	-	-
Common shares issued in connection with the redemption of warrants	781,250	125,000	-	-
Common shares issued in connection with the issue of units - November 2009	15,718,750	1,624,000	-	-
Common shares outstanding at the end of the year	73,063,653	\$ 17,785,651	9,141,465	\$ 9,392,526

Issues of shares

On March 12, 2009, the Corporation completed a \$1,000,000 equity private placement of 50,000,000 units (pre-Consolidation) at a price of \$0.02 per unit. Each unit consists of one common share in the Corporation and one warrant giving the holder the right to purchase one additional common share at a price of \$0.05 in the first year and, thereafter, at a price of \$0.10 for the four subsequent years. The proceeds of this private placement and the share and warrant certificates were held in escrow until April 17, 2009, the date on which the conditions of the private placement were satisfied. The proceeds from the units were proportionally allocated to share capital, and contributed surplus according to the respective fair market value of issued shares and warrants in accordance with the Black-Scholes option pricing model. An amount of \$70,490 was recorded as a share issuance expense in the Corporation's deficit.

On April 17, 2009, the Corporation issued 104,585,485 common shares (pre-Consolidation) as part of the conversion of convertible debentures, together with accrued interest thereon, representing an aggregate amount of \$2,091,710, at a price of \$0.02 per share (Note 10). A translation adjustment of \$135,143 was recorded as share capital, and an amount of \$949,767, representing the value of additional common shares issued upon conversion due to a beneficial change made to conversion privileges under EIC-96, *Accounting for the Early Extinguishment of Convertible Securities Through Induced Early Conversion*, was recorded in the Corporation's deficit. This transaction had no effect on the Corporation's cash position. An amount of \$11,829 was recorded as a share issuance expense in the Corporation's deficit.

On November 19, 2009, the Corporation filed articles of amendment to consolidate its issued and outstanding common shares based on a ratio of eight pre-Consolidation shares for each post-Consolidation share (the "Consolidation"). Prior to the Consolidation, the Corporation had 227,717,204 common shares issued and outstanding; following the Consolidation, it had 28,464,650 common shares issued and outstanding before the following transactions.

On November 20, 2009, the Corporation completed the following transactions (post-Consolidation):

- Acquisition of all the issued and outstanding shares of Botaneco Specialty Ingredients Inc. ("Botaneco") (the "Transaction"). As part of the Transaction, Advitech issued a total of 28,099,003 post-Consolidation common shares to the sellers at a price of \$0.16 per post-Consolidation common share. This represents 49% of all Advitech's issued and outstanding common shares following the Transaction.
- Concurrently with the Transaction, Advitech completed equity financing (the "Equity Financing") for gross proceeds of \$2,515,000. The Equity Financing consisted of the issuance of a total of 15,718,750 units (each, a "Unit") at a price of \$0.16 per Unit. Each Unit consists of one post-Consolidation common share and one common share purchase warrant (each, a "Warrant").
- Finally, as part of the Transaction, Advitech redeemed 58,083,334 pre-Consolidation warrants for \$125,000, which was settled by issuing 781,250 post-Consolidation common shares at a price of \$0.16 per share.

With respect to these transactions, an amount of \$168,794 was recorded as a share issuance expense in the Corporation's deficit.

Stock options plan

The Corporation has a stock option plan (the "Plan") that reserves 7,200,000 shares (post-Consolidation) for issue. Under the Plan, the Board of Directors may, at its discretion, grant options to purchase shares in the Corporation to certain employees, officers, directors and consultants of the Corporation. The exercise price is determined by the Board of Directors.

The Corporation's outstanding stock options as at December 31, 2009 and 2008 and the changes that occurred during the periods ended on these dates were as follows:

Stock option plan	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the year	360,274	\$ 1.76	412,637	\$ 1.68
Granted	2,918,797	0.16	37,125	1.20
Cancelled	(198,899)	1.94	(89,488)	1.44
Outstanding, end of the year	3,080,172	\$ 0.23	360,274	\$ 1.76
Exercisable, end of the year	132,917	\$ 1.50	297,274	\$ 1.84

The following table summarizes information relating to the stock options outstanding as at December 31, 2009:

Stock option plan	Outstanding options as at December 31, 2009		Exercisable options as at December 31, 2009	
	Number of options	Weighted average remaining life (years)	Number of options	Weighted average remaining life (years)
Exercisable price \$0.16	2,918,797	4.9	0	-
Exercisable price \$1.20	67,500	2.3	51,083	2.0
Exercisable price \$1.60	48,625	2.5	36,583	2.4
Exercisable price \$1.76	45,250	0.3	45,250	0.3
	3,080,172	4.7	132,917	1.5

During the year ended December 31, 2009, the Corporation granted 2,918,797 options (post-Consolidation) [297,000 in 2008 (pre-Consolidation)] to certain employees, directors and consultants at an exercise price that was higher than the market price on the grant dates. The fair value of each granted option on the award date was estimated using the Black-Scholes option pricing model and the following weighted average assumptions:

Risk-free interest rate	2.54%
Expected volatility	90%
Expected life	5 years
Expected dividend yield	0%
Fair value of granted options	\$0.063

The stock-based compensation expenses pertaining to the options granted were amortized using the graded vesting method. A compensation expense of \$20,672 was recorded in 2009 (\$18,486 in 2008).

Warrants

On March 12, 2009, the Corporation completed a \$1,000,000 equity private placement of 50,000,000 units (pre-Consolidation) at a price of \$0.02 per unit. Each unit consists of one common share in the Corporation and one warrant giving the holder the right to purchase one additional common share at a price of \$0.05 in the first year and, thereafter, at a price of \$0.10 for the four subsequent years. The fair value of these warrants was estimated as \$230,000 using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.99% to 1.91%
Expected volatility	90%
Expected life	1 year to 5 years
Expected dividend yield	0%
Fair value of warrants	\$0.0504

The proceeds of this unit offering were recorded as to \$230,000 to contributed surplus and \$770,000 to share capital.

On November 20, 2009, the Corporation redeemed 58,083,334 outstanding pre-Consolidation warrants for \$125,000 which was settled by issuing 781,250 post-Consolidation common shares at a price of \$0.16 per share.

On November 20, 2009, the Corporation completed a \$2,515,000 private equity placement of 15,718,750 units (post-Consolidation) at a price of \$0.16 per unit. Each unit consists of one common share in the Corporation and one warrant. Each warrant entitles its holder to purchase one post-Consolidation common share at a price of: (i) \$0.17 until the date one (1) year after the issue date of the Warrants (the "Closing Date"); (ii) \$0.19 until the date two (2) years after the Closing Date; (iii) \$0.21 until the date three (3) years after the Closing Date; (iv) \$0.23 until the date four (4) years after the Closing Date; or (v) \$0.253 until the date five (5) years after the Closing Date. The fair value of these warrants was estimated as \$891,000 using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.25% to 2.56%
Expected volatility	90%
Expected life	1 year to 5 years
Expected dividend yield	0%
Fair value of granted options	\$0.0467

The proceeds of this unit offering were recorded as to \$891,000 to contributed surplus and \$1,624,000 to share capital.

The following table presents a breakdown of the outstanding warrants as at December 31, 2009 and 2008:

	2009		2008	
Warrants	Number	Weighted average exercise price	Number	Weighted average exercise price
Warrants issued in connection with the units offering of March 2007 maturing in average in 0.2 year	-	-	454,300	2.00
Warrants issued in connection with the units offering of April 2007 maturing in average in 3.3 years	-	-	1,010,417	1.52
Warrants issued in connection with the units offering of November 2009 maturing in average in 4.9 years	15,718,750	0.17	-	-
Outstanding, end of the year	15,718,750	\$ 0.17	1,464,717	\$ 1.68
Exercisable, end of the year	15,718,750	\$ 0.17	1,464,717	\$ 1.68

11. LOSS PER SHARE

The following table shows the reconciliation between basic and diluted loss per share:

	2009	2008
Net loss	\$ (1,782,829)	\$ (1,539,417)
Weighted average number of outstanding shares - basic and diluted	28,426,234	9,141,465
Net loss per share basic and diluted	\$ (0.063)	\$ (0.168)

Basic loss per share is calculated using the weighted average number of outstanding shares during the year. The weighted average number of outstanding shares is the same for both basic and diluted per-share calculations since the potential addition of shares from convertible debentures, options and warrants is anti-dilutive.

12. COMMITMENTS AND GUARANTEES

The Corporation is committed under following premises leases: administrative office in Quebec, Quebec expiring June 2010; research laboratory at Laval University expiring June 2010; administrative offices and production facilities in Calgary, Alberta expiring September 2011; and administrative offices and research laboratory in Bensalem, Pennsylvania expiring September 2012.

The Corporation has committed to undertake or participate in two research and development programs to be performed during 2010.

The Corporation's minimum commitments over the next three years amount to \$207,652 in 2010, \$109,243 in 2011, and \$39,891 in 2012.

13. INVESTMENT TAX CREDITS RECEIVABLE

The amounts recorded as research and development tax credits receivable are related to amounts claimed that have not yet been reviewed by the tax authorities. In case of differences between the amounts claimed by the Corporation and the amounts granted by the tax authorities, any adjustment will be recorded during the year in which the differences are determined.

14. UNREALIZED TAX BENEFIT

As at December 31, 2009, the non-capital tax losses that may be carried forward as deductions in future years are as follows:

<u>Year of expiration</u>	<u>Federal</u>	<u>Provincial</u>
Tax loss expiring in 2014	\$ 137,000	\$ 175,000
Tax loss expiring in 2014	651,000	644,000
Tax loss expiring in 2015	2,823,000	2,810,000
Tax loss expiring in 2026	5,906,000	5,893,000
Tax loss expiring in 2027	3,892,000	3,892,000
Tax loss expiring in 2028	3,258,000	3,238,000
Tax loss expiring in 2029	1,424,000	1,404,000
	<u>\$ 18,091,000</u>	<u>\$ 18,056,000</u>

In addition to these carried forward tax losses, the Corporation has capital losses that can be carried forward to reduce future taxable capital gains for \$347,000.

In addition to the foregoing non-capital losses carried forward, at December 31, 2009 the Corporation also had the following available tax benefits: undeducted research and development expenses (\$2,991,000 at the federal level and \$4,350,000 at the provincial level); \$390,000 of financing costs that can be carried forward to reduce future taxable income \$672,000 in additional tax credits, representing the non-refundable and unrecorded portion of the federal R&D tax credit; undepreciated capital cost of fixed assets for tax purposes of \$2,990,000 at the federal level and \$3,109,000 at the provincial or state level (net book value of \$2,443,829); and \$6,269,000 of tax pools associated with non-operating expenditures of prior years. The unrealized tax benefit related to these losses carried forward and undeducted expenses, estimated at \$8,300,000, has not been recorded.

15. CAPITAL DISCLOSURE

The Corporation's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, selling, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. In the management of capital, the Corporation includes shareholders' equity, long-term debt, convertible debentures, and cash and cash equivalents.

Historically, the Corporation has financed its activities through rounds of public and private financing as well as by grants, loans and tax credits under various government incentive programs. Depending on its financial condition, business strategies and prevailing market conditions, the Corporation may continue to access these sources of capital.

The Corporation monitors capital by measuring and managing the impact of its operating and investment activities on its capital. The capital management objective of the Corporation remains the same as that of previous years. Under its credit facilities, the Corporation must meet certain covenants, including certain financial ratios. As at December 31, 2009, the Corporation was in compliance with these covenants. The Corporation is not subject to any capital requirements imposed by any regulators.

16. FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, tax credits receivable, accounts payable and accrued liabilities, long-term debt and convertible debentures, whose fair values approximate their carrying values as at December 31, 2009 due to their short-term maturities or to floating interest rates or current interest rates for financial instruments with fixed rates. Through these financial assets and liabilities, the Corporation is exposed to credit risk, market risk and liquidity risk. The following analysis provides a measurement of these risks as at the balance sheet date of December 31, 2009.

Credit Risk

The Corporation's principal financial assets are cash and cash equivalents, accounts receivable and tax credits receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheets represent the Corporation's maximum credit exposure at the balance sheet date.

The Corporation's credit risk is primarily attributable to its trade receivables and cash and equivalents. The amounts disclosed in the consolidated balance sheet are net of allowance for doubtful accounts, estimated by the management of the Corporation based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include creditworthiness assessments, review of credit limits and purchasing accounts receivable insurance in certain cases. Nevertheless, the Corporation has assessed that its allowance for doubtful accounts was required to be increased by \$196,496 from \$100,000 as at December 31, 2008 to \$296,496 as at December 31, 2009 in order to provide for amounts likely to be uncollectible from two accounts. Of the accounts receivable balance at December 31, 2009, 20% was one month past due and a further 26% was approximately ten months past due, but these past due accounts were not considered to be impaired. Three major customers represent 91% of the Corporation's accounts receivable, net of allowance for doubtful accounts, as at December 31, 2009. The credit risk on cash and cash equivalents is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies. The credit risk on tax credits receivable is limited because the counterparty is a provincial government.

Market Risk

Market risk represents the potential losses that the Corporation may incur as result of unfavourable fluctuations in the value of financial instruments arising from variations in the parameters underlying their evaluation, such as interest rates and foreign currency exchange rates.

Interest rate risk

Interest rate risk represents the potential changes in the Corporation's cash flows as a result of fluctuations in interest rates in its investments and floating interest rate debt. As at December 31, 2009, the Corporation had \$1,500,000 (\$0 at December 31, 2008) in redeemable guaranteed investment certificates included in cash and cash equivalents and a bank loan bearing interest at prime rate plus 4.25% with a book value of \$298,160 (\$382,760 at December 31, 2008).

Foreign Currency Exchange Risk

The Corporation generates sales and incurs expenditures in both United States dollars and euros. As at December 31, 2009, the Corporation is exposed to foreign currency exchange risk through its United States dollar and euro denominated balances within various of its financial instruments, the potential impact on earnings of which is presented below. The Corporation does not hedge its foreign exchange risk.

Based on historic movements and volatilities in interest rates and relevant exchange rates, and based on Management's current assessment of the financial markets, the Corporation believes the following variations are reasonably possible over a 12-month period:

- Proportional foreign currency exchange rate variation of -10% (depreciation of Canadian dollar (CDN)) and +10% (appreciation of CDN) against the U.S. dollar (USD), from a year-end rate of 0.9555.
- Proportional foreign currency exchange rate variation of -10% (depreciation of Canadian dollar (CDN)) and +10% (appreciation of CDN) against the euro, from a year-end rate of 0.6667.
- Proportional variation of +1% / -1% in the prime interest rates.

If these variations were to occur, the impact on net earnings and equity for each category of financial instrument held in the balance sheet would be as follows:

	Carrying amount	Interest Rate Risk		Foreign Exchange Risk (USD)		Foreign Exchange Risk (EUR)	
		-1%	+1%	-10%	+10%	-10%	+10%
		Earnings and equity	Earnings and equity	Earnings and equity	Earnings and equity	Earnings and equity	Earnings and equity
Financial assets							
Cash and cash equivalents	\$ 2,032,632	\$ -	\$ -	\$ 6,158	\$ (6,158)	\$ 70	\$ (70)
Accounts receivable	\$ 420,543	\$ -	\$ -	\$ 1,317	\$ (1,317)	\$ -	\$ -
Financial liabilities							
Accounts payable and accrued liabilities	\$ 1,093,040	\$ -	\$ -	\$ (47,388)	\$ 47,388	\$ (9,262)	\$ 9,262
Convertible debentures	\$ 28,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt	\$ 1,210,961	\$ 3,071	\$ (3,071)	\$ (2,160)	\$ 2,160	\$ -	\$ -
Total increase (decrease)		\$ 3,071	\$ (3,071)	\$ (42,072)	\$ 42,072	\$ (9,192)	\$ 9,192

Liquidity Risk

Liquidity risk is the possibility of the Corporation being unable to gather the funds required to discharge its financial obligations at the appropriate time and under reasonable conditions. The Corporation manages this risk so as to ensure that it has sufficient liquidity at all times to be able to honor its current and future financial obligations, in normal conditions and in exceptional circumstances. Financing strategies used to ensure sufficient liquidity include the issuance of debt or equity securities in the public or private capital markets, as well as utilizing various grants, loans and tax incentives offered by various levels of government.

Maturities of accounts payable range from 30 to 60 days of invoice date, in accordance with normal commercial terms. Maturities of long-term debt are as disclosed in Note 9.

17. ADDITIONAL INFORMATION ON THE EARNINGS

		2009		2008
Selling and marketing expenses				
Government assistance - Commercial loan (Note 9)	\$	12,669	\$	6,985
Government grants	\$	8,958	\$	15,154
Research and development expenses				
Government grants	\$	119,785	\$	59,549
SR&ED tax credits	\$	75,483	\$	138,862
Financial expenses				
Interest revenues	\$	3,089	\$	19,373

18. SEGMENT INFORMATION

Management has determined that the Corporation has two operating segments organized around the commercialization of its branded products: (a) Dermylex™, a natural health supplement derived from a certain whey protein that has been clinically proven effective in treating mild to moderate symptoms of psoriasis; and (b) Hydresia™, an oleosome ingredient for various cosmetic, personal care and prescription topical dermatology products. Certain financial information routinely used by management to measure performance and allocate resources is presented in the following table.

	Dermylex™	Hydresia™	Total
Revenues	\$ 464,372	\$ 12,248	\$ 476,620
Gross profit	\$ 237,827	\$ (44,719)	\$ 193,108
Segment assets	\$ 2,699,014	\$ 4,150,427	\$ 6,849,441

Revenues and gross profit of the Hydresia™ segment are from the date of the acquisition November 20, 2009 to December 31, 2009, while the segment assets are as of December 31, 2009.

All revenues from external customers are attributed to Canada, which is the country of domicile for the two operating segments. Revenues are attributed to countries or geographic regions based on where the client is located, except for one customer located in Canada with whom the Corporation has entered into a distribution agreement exclusively for the territory of the United States. Operating revenues to this customer are allocated to the United States.

Products Sales	2009		2008	
Canada	\$	118,274	\$	32,004
United States		140,963		95,445
Mexico		-		266,400
Europe		108,432		448,771
Other countries		108,951		220,702
	\$	476,620	\$	1,063,322

During the year, sales made to four customers represented approximately 85% (81% in 2008) of the Corporation's revenues, representing 26%, 23%, 23% and 13% (30%, 25%, 14% and 12% in 2008) respectively.

19. SUBSEQUENT EVENTS

In February 2010 the Corporation undertook to consolidate its management and administration in the offices of its subsidiary, Botaneco Specialty Ingredients Inc., in Calgary, Alberta. The Corporation negotiated an early termination of its office lease in Quebec, Quebec, but continues to carry on research and development, packaging and distribution activities in Quebec. As a result of this change in operations, a government agency terminated its funding arrangement and required the repayment of \$19,656, which payment was made in March 2010.

In March 2010, the Corporation disposed of excess raw material for approximately \$250,000, thereby settling an accounts payable that had become due and augmenting the Corporation's cash resources. As this inventory was carried on the books at approximately \$495,000, this disposition will have a negative earnings effect of approximately \$245,000 in the first quarter of 2010.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

CORPORATE INFORMATION

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Managing Director
Avrio Ventures Management Corporation

Denis Boyer, agr.²
Director
Avrio Ventures Management Corporation

Louis Lacasse, MBA¹
President
GeneChem Management inc. and
AgeChem Financial inc.

Richard Bordeleau²
Consultant

Claude R. Livernoche, eng., MBA^{1,2}
Corporate Director

Pierre Labbé, CA¹
Vice-President and CFO
Medicago inc.

¹ Audit Committee
² Human Resources and Corporate
Governance Committee

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ANNUAL MEETING

The Annual General and Special Meeting of Shareholders will be held on Thursday, May 20, 2010 at 11:00 am at hôtel quartier 2955, boulevard Laurier, Québec (QC) G1V 2M2

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STOCK REGISTRATION

TSX Venture Exchange
Stock Symbol: AVI