VENTRIPOINT DIAGNOSTICS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

To the Shareholders of
Ventripoint Diagnostics Ltd.

We have audited the accompanying financial statements of Ventripoint Diagnostics Ltd. (the "Company") and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 Company'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 Company'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 consolidated financial position of Ventripoint Diagnostics Ltd. and its subsidiary, as at December 31, 2017 and December 31, 2016, and their financial performance and their cash flows for the periods then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which indicates that the Company will not generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $3,703,202 and negative cash flow of $2,817,280 for the year ended December 31, 2017 and, has an accumulated $32,536,004 losses at December 31, 2017. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants
Calgary, Alberta
April 30, 2018

Ventripoint Diagnostics Ltd.

Consolidated Statements of Financial Position

Amounts in CDN Dollars

	Note	As at December 31, 2017	As at December 31, 2016
ASSETS			
Cash and equivalents		$1,358,923	$191,282
Accounts receivable	4	99,809	128,922
Inventory	3(f)	50,582	11,968
Prepaid Expenses		113,387	278,832
Total current assets		1,622,701	611,004
Property and equipment	6	49,915	24,158
Intangible assets		37,340	37,340
Total non-current assets		87,255	61,498
Total assets		$1,709,956	$672,502
LIABLITIES AND SHAREHOLDERS' DEFICIT			
Accounts payable and accrued liabilities	5	$1,152,366	$1,522,112
Deferred revenue		-	38,902
Current portion of debenture payable	7	-	597,122
Interest payable on debentures		-	21,401
Derivative liabilities	8	2,183,831	742,808
Total current liabilities		3,336,197	2,922,345
Total liabilities		$3,336,197	$2,922,345
Shareholders' deficit			
Share capital	9	26,565,366	22,881,118
Contributed surplus	9	4,344,397	3,701,841
Deficit		(32,536,004)	(28,832,802)
Total deficit		($1,626,241)	($2,249,843)
Total liabilities and shareholders' deficit		$1,709,956	$672,502

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Director

Director

Ventripoint Diagnostics Ltd.

Consolidated Statements of Loss and Comprehensive Loss

Amounts in CDN Dollars

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Revenue		$38,905	$209,479
Cost of goods sold		(40,001)	(237,118)
Gross Margin		(1,096)	(27,639)
Expenses			
General and administrative	11	1,223,156	792,120
Research and development	11	1,178,908	1,156,864
Sales and marketing	11	988,791	85,299
Total operating expenses		3,390,855	2,034,283
Loss from operations		(3,391,951)	(2,061,922)
Non-operating income (loss)			
Finance costs	13	(443,469)	(449,370)
Derivative liabilities revaluation adjustment	8	(42,161)	193,412
Other income (expense)	7(b), 14	27,908	-
Gain (loss) on shares issued for debt	7(b)	133,942	-
Loss on amendment of debentures	7	-	(314,299)
Foreign currency differences		12,529	8,427
Total non-operating income (loss)		(311,251)	(561,830)
Loss and comprehensive loss		$(3,703,202)	$(2,623,752)
Basic and diluted loss per share	9	(0.08)	(0.10)

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Cash Flows

Amounts in CDN Dollars

	Note	Year ended December 31 2017	2016
OPERATING ACTIVITIES			
Net loss		($3,703,202)	($2,623,752)
Adjustments for items not effecting cash:			
Depreciation and amortization	6	12,714	10,986
Share-based compensation	9	486,302	70,918
Accretion of debentures payable	7	13,907	342,914
Interest on debentures payable	7	18,981	95,223
Deferred Stock Unit expense	15	80,638	8,288
Derivative liabilities revaluation adjustment	8	42,161	(193,412)
Loss on amendment of debentures	7	-	314,299
Non-cash consulting services		-	25,000
Gain on shares issued for debt	7(b)	(133,942)	-
Other income	7(b), 14	(28,484)	-
Transaction costs for financing activities	13	405,598	8,229
Gain/loss on disposal of property & equipment	6	576	(661)
Foreign exchange gain		(12,529)	(8,427)
		(2,817,280)	(1,950,395)
Change in non-cash working capital items:			
Accounts receivable		29,113	(64,710)
Prepaid expenses		165,445	(198,627)
Inventory		(38,614)	(11,969)
Accounts payable and accrued liabilities		(369,746)	(3,432)
Deferred revenue		(38,902)	29,711
Cash used in operating activities		(3,069,984)	(2,199,422)
INVESTING ACTIVITIES			
Disposals of property and equipment		-	661
Intangible asset additions		-	(7,182)
Additions to property and equipment	6	(39,047)	(6,806)
Cash used in investing activities		(39,047)	(13,327)
FINANCING ACTIVITIES			
Issuance of share capital for cash	9	4,677,506	637,000
Interest paid on debentures in cash	7(b)(c)	(40,382)	(5,268)
Debenture repayment in cash	7(b)	(109,000)	(160,000)
Share and debenture issuance costs paid in cash	9	(282,066)	(35,727)
Cash provided by financing activities		4,246,058	436,005
Effect of foreign exchange on cash and equivalents		30,615	(6,980)
Net increase (decrease) in cash and equivalents		1,167,642	(1,783,724)
Cash and equivalents at beginning of period		191,282	1,975,006
Cash and equivalents at end of period		$1,358,923	$191,282

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

Amounts in CDN Dollars except numbers of shares

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2016		32,138,218	22,881,118	3,701,841	(28,832,802)	(2,249,843)
Shares issued with sale of stock	9	10,496,938	3,359,020			3,359,020
Warrants issued with sale of stock	8, 9		(3,359,020)			(3,359,020)
Liabilities settled with shares	7(b), 9	1,575,000	504,000			504,000
Warrants issued with settlement of liabilities	7(b), 8		(504,000)			(504,000)
Shares issued on conversion of convertible debentures	7(c)	766,667	399,389			399,389
Share-based compensation	9,12			486,302		486,302
Finder's Units issued in connection with sale of stock	9	282,555		123,533		123,533
Stock options exercised	9	425,000	116,167	(47,917)		68,250
Warrants exercised	9	5,904,130	3,168,692			3,168,692
Deferred Share Units issued	15			80,638		80,638
Loss and comprehensive loss					(3,703,202)	(3,703,202)
Balance, December 31, 2017		51,588,508	$26,565,366	$ 4,344,397	$(32,536,004)	$(1,626,241)

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2015 (restated)		26,713,287	22,236,384	3,703,232	(26,209,050)	(269,434)
Shares issued with sale of stock	9	4,246,667	637,000			637,000
Warrants issued with sale of stock	8, 9		(194,265)			(194,265)
Liabilities settled with shares	7(a) 9	1,095,764	154,920			154,920
Share-based compensation	9			70,918		70,918
Share & warrant issuance costs			(27,498)	(6,019)		(33,517)
Deferred Share Units issued	15			8,287		8,287
Deferred Share Units exercised	9	82,500	74,577	(74,577)		-
Loss and comprehensive loss					(2,623,752)	(2,623,752)
Balance, December 31, 2016		32,138,218	$22,881,118	$3,701,841	$(28,832,802)	$(2,249,843)

See accompanying notes to the consolidated financial statements.

1. Corporate information

Ventripoint Diagnostics Ltd. ("Diagnostics" or the "Company") was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint Inc. ("Ventripoint", Diagnostics and Ventripoint, collectively referred to herein as the "Company" or "Companies") on September 18, 2007. Diagnostics is a Canadian public company with its shares listed on the TSX Venture Exchange ("TSXV" or the "Exchange") with the trading symbol "VPT". Ventripoint Inc. was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Ventripoint Inc.'s registration was migrated to the State of Delaware on December 21, 2017. The Companies' registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

The Board of Directors approved these financial statements on April 27, 2018.

2. Basis of presentation

(a) Statement of compliance

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

(b) Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, see Note 3(c). These consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $3,703,202 and had a negative operating cash flow of $2,817,280 for the year ended December 31, 2017, and has accumulated $32,536,004 of losses as at December 31, 2017. As a result, there is a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CDN$"), the Company's functional currency. The functional currency of the Company's wholly owned subsidiary is US dollars and has been translated to CDN$ using the closing rate, the spot exchange rate or the annual average exchange rate.

(d) Critical accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements includes the assumptions and model used to estimate share-based compensation (Note 9) and the valuation of warrants and other derivative liabilities (Note 8), the capitalization and expensing of development costs (Note 3(i)), the allocation of revenues between amounts recognized upon installation and amounts deferred and recognized over the initial warranty period, the designation of the Canadian dollar as the Company's functional currency (Note 2(c)), discount rates used for debentures (Note 7) and factors considered in inventory obsolescence (Note 3(f)).

2. Basis of presentation (continued)

(d) Critical accounting judgements and estimates (continued)

Reported amounts and note disclosure reflect the anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Diagnostics and Ventripoint, its wholly-owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

(b) Foreign currency

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(c) Financial instruments

Financial assets

Financial assets are classified as fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss where the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with a documented risk management and investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Cash and equivalents include balances with banks and a restricted term deposit with a maturity of three months or less.

Account receivables, that are not GST receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method less any impairment losses. The Company has classified its receivables, that are not GST receivables, and cash and equivalents as loans and receivables.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and subsequently at amortized cost using the effective interest rate method. The Company has classified its accounts payable and accrued liabilities and debentures payable as other financial liabilities.

Financial liabilities at fair value through profit or loss include derivative financial liabilities, financial liabilities held for trading, and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is derecognized when its contractual obligations are discharged, are cancelled, or expire.

(d) Share capital and contributed surplus

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

(e) Revenue recognition

Revenue from the sale of products with one year warranty is recognized when the terms and conditions of sale are agreed upon and when shipping, training, and installation services for the Ventripoint Medical System (“VMS™”) are complete. Extended warranty service plan revenues are deferred and recognized over the warranty period. Revenue from the sale of products without warranty are recognized immediately.

(f) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. For assembled inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventory recognized in the cost of goods sold in 2017 is $33,511 (2016 - $164,511). Inventory at year end consisted of $17,900 (2016 – $nil) in finished goods and $32,682 (2016 - $11,968) in raw materials.

(g) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss. Property and equipment is assessed annually for indicators of impairment.

Depreciation
The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis
Computer and office equipment	Straight-line over 3 years
Equipment and software	Straight-line over 5 years
Furniture and fixtures	Straight-line over 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted as appropriate.

3. Significant accounting policies (continued)

(h) Intangible assets

The Company owns intangible assets consisting of licensed patent rights. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and all intangibles are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The technology license is stated at cost and will be amortized over a period of 10 years, using the straight-line method, commencing upon commercialization. As at December 31, 2017, the technology has not yet reached commercialization.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and management has determined that it has sufficient resources to market and sell its product offerings.

Upon a determination that the criteria to capitalize development expenditures have been met, the expenditure capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

(j) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, but does not exceed the original cost of the asset net of amortization.

3. Significant accounting policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Share-based compensation

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that met the related service and non-market performance conditions at the vesting date.

For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in contributed surplus, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instruments granted.

Deferred Share Units issued to Directors and Executive Officers are recognized at fair value on the date of grant which is determined to be the fair value of a common share on the grant date. Upon the Director or Officer ceasing their duties, one common share in respect of each whole Deferred Share Unit will be issued to the individual.

(l) Finance costs

Finance costs comprise interest expense on borrowings, bank charges and accretion on debentures.

(m) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. Significant accounting policies (continued)

(n) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect and therefore they have been excluded from the calculation of diluted loss per share.

(o) Accounting standards adopted in 2017

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(p) New standards and interpretations not yet applied

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt this standard when it becomes effective. The following pronouncements are being assessed to determine its impact on the Company's results and financial position:

IFRS 9 *Financial Instruments*

‘Financial Instruments’ is part of the IASB’s wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement', the current standard on the recognition and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect there to be a material impact on its consolidated financial statements as a result of the adoption of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue Barter Transactions Involving Advertising Services. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact IFRS 15 will have on the financial statements.

IFRS 16 *Leases.*

In January 2016, the IASB issued the standard to replace IAS 17 “Leases”. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

Amounts in Canadian Dollars unless otherwise stated

4. Accounts receivable

	As at December 31, 2017	As at December 31, 2016
Goods and services taxes receivable	99,809	128,922
Total	$ 99,809	$ 128,922

5. Accounts payable and accrued liabilities

	As at December 31, 2017	As at December 31, 2016
Trade and other payables	$ 678,134	$ 842,087
Accrued liabilities	474,232	680,025
Total	$ 1,152,366	$ 1,522,112

Accrued liabilities include $364,620 (December 31, 2016 - $571,120) of accrued but unpaid compensation payable to the Company's CEO.

6. Property and equipment

Cost:	
Balance December 31, 2015	$ 495,735
Additions	6,806
Disposals	(258,033)
Balance, December 31, 2016	244,508
Additions	39,047
Disposals	(87,936)
Balance, December 31, 2017	$ 195,619
Accumulated depreciation:	
Balance, December 31, 2015	$ (467,403)
Depreciation	(10,986)
Disposals	258,039
Balance, December 31, 2016	(220,350)
Depreciation	(12,714)
Disposals	87,360
Balance, December 31, 2017	$ (145,704)
Net carrying amounts:	
December 31, 2016	$ 24,158
December 31, 2017	$ 49,915

Amounts in Canadian Dollars unless otherwise stated

7. Debentures payable

As at December 31, 2017 the debentures payable were fully paid out. The changes in the debenture balances during the year ended December 31, 2017 and the year ended December 31, 2016 consist of:

Balance, January 1, 2016	**$597,872**
Debentures repaid in cash, (d)	(160,000)
Debentures settled in shares, (a)	(38,000)
Loss on amendment of convertible debentures, (b)(c)	(136,282)
Costs of amendments of convertible debentures, (b)(c)	(9,382)
Accretion	342,914
Balance December 31, 2016	**$597,122**
Debentures repaid in cash, (b)	(91,992)
Debentures settled in shares, (b)	(423,753)
Conversion of convertible debentures into shares, (c)	(95,284)
Accretion	13,907
Balance December 31, 2017	**$ -**

The conversion features and the warrants issued in connection with the Company's debenture issuances have been valued for consolidated financial statements using either a Binomial pricing model or a Black-Scholes pricing model, with assumptions that are further described in Note 8. All outstanding warrants and debenture conversion features were treated as derivative financial liabilities due to either an acceleration clause (Note 7(b) and Note 8) or a down round clause (Note 7(c)). These Derivative Liabilities are revalued at each financial statement date and adjustments are reflected in the loss.

The debenture obligations are accreted to their face value at maturity using the effective interest rate method.

(a) Convertible Debentures:

On August 21, 2013, the Company issued $300,000 of convertible non-secured debentures which matured on August 21, 2016, (the 'August Tranche') and issued a total of 1,500,000 common share purchase warrants with an exercise price of $1.50 for a period of three years from the date of issuance. An additional $500,000 tranche (the 'October Tranche') of Convertible Debentures, maturing October 22, 2016, was issued on October 22, 2013 with the issuance of 2,500,000 common share purchase warrants (August and October Tranches together, "Convertible Debentures").

The Convertible Debentures bear a 12% annual simple interest calculated on the principal amount. Any accrued but unpaid interest is due and payable on the anniversary of the debentures, in either cash or common shares (at the option of the Company), with the number of common shares being determined by using the 10 day volume-weighted average price of the common shares on the TSX Venture Exchange on that date that is five days prior to the anniversary date.

The Convertible Debentures may be converted by the holder at any time following the date of issuance at a price of $1.00 per common share and may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty. An Officer of the Company purchased $100,000 of Convertible Debentures under the offering.

On January 15, 2014 and March 14, 2014, $24,000 and $10,000 respectively, of the August Tranche debentures were converted into 240,000 and 100,000 common shares valued at $13,037 and $5,751 respectively. For the two conversions together, the debenture value was reduced by $3,488 and the conversion feature derivative value was reduced by $15,300.

On September 19, 2016 the Company issued 214,225 common shares at a deemed price of $0.149 per common share as payment for $31,920 in interest owing on the August Tranche and on November 7, 2016 the Company issued 461,538 common shares at a deemed price of $0.13 per common share as payment for $60,000 in interest owing on the October Tranche.

Amounts in Canadian Dollars unless otherwise stated

7. Debentures payable (continued)

At maturity $38,000 of the original August Tranche debenture holders opted to have their Convertible Debentures paid out by way of a shares for debt transaction in the Unit Private Placement on October 4, 2016 (Note 9).

The remaining $228,000 of the August Tranche and $385,000 of the October Tranche were extended for two years with the issuance of common share purchase warrants as described in 7(b) below. The other $115,000 of the October Tranche debentures were amended with the reduction of the conversion price to $0.15 per share from $1.00, as described in 7(c) below.

The warrants issued with the Convertible Debentures in 2013 were amended in June, 2016 to extend their respective maturity dates by two years, reduce the exercise price from $1.50 to $0.40 per common share, and to add an acceleration clause (Note 8).

(b) Amended Convertible Debentures with Warrants:

On August 21, 2016, and October 22, 2016 the Company amended $228,000 of the August Tranche and $385,000 of the October Tranche of the Convertible Debentures, such that the maturity date of the Convertible Debentures was extended for a period of 24 months to August 21, 2018 and October 22, 2018, respectively (the "Amended Debentures"). In consideration for agreeing to extend the maturity date, the Company issued to the debenture holders an aggregate of 1,519,998 and 2,566,667 common share purchase warrants, respectively for the August and October amendments, exercisable a price of $0.15 per common share for two years from the date of issuance. In all other respects, the terms of the original Convertible Debentures remain unchanged from those described in 7(a).

For financial statement purposes the amendment of the Convertible Debentures is treated as an extinguishment and repurchase of the Convertible Debentures with the issuance of new Amended Debentures. The Amended Debentures were valued at fair market value at the date of issuance of $185,318 and $312,928 for the August Amended Debentures and the October Amended Debentures, respectively, calculated as the present value of the Amended Debenture's cash flows using a market rate of interest of 25%. The debenture obligations, net of transaction costs of $2,795 for August and $4,498 for October, are accreted to face value at maturity, using the effective interest rate method.

The warrants and conversion features of the Amended Debentures were valued using a Binomial model with the following assumptions:

	August Amended Debentures		**October Amended Debentures**	
	Warrants	**Conversion Feature**	**Warrants**	**Conversion Feature**
Exercise price	$0.15	$1.00	$0.15	$1.00
Time to maturity	2	2	2	2
Risk-free rate	0.56%	0.56%	0.53%	0.53%
Volatility	128.00%	128.00%	129.0%	129.0%
Dividend rate	nil	nil	nil	nil

The August and October warrant values of $155,877 and $201,216, conversion features of $16,643 and $20,058 respectively, are recorded in Derivative Liabilities.

The difference between the fair value of the new instrument and the carrying value of the original loans resulted in losses on amendment of the August and October debentures of $129,838 and $184,461, respectively, which were accounted for in the loss.

Interest expense and accretion of $16,267 (2016 - $18,755) and $11,879 (2016 - $12,911) respectively, were recognized on the Amended Debentures in 2017.

In March, 2017, $109,000 of the Amended Debentures were repaid in cash, which resulted in a gain on retirement of the debentures of $10,400, a reduction in the debenture balance of $91,992 and a reduction in the Derivative Liability balance of $27,409.

Amounts in Canadian Dollars unless otherwise stated

7. Debentures payable (continued)

The remaining $504,000 of the Amended Debentures were repaid in a shares for debt transaction which closed on March 21, 2017 (see Note 9). The Company issued to the holders of the debentures a total of 1,575,000 units ("Units"), each Unit consisting of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to acquire one common share at a price of $0.50 for a period of 2 years after the issuance of the Warrant. The common shares and the Warrants are subject to a hold period of four months plus one day from the date of issuance. The accreted fair value of the debentures of $423,753 plus the fair value of the conversion features of $213,709 exceeded the fair value of the Units issued to extinguish the debenture resulting in a gain on the shares for debt transaction of $133,942, which is recognized in the loss.

(c) **Amended Conversion Convertible Debentures:** Holders of $115,000 of the October Tranche Convertible Debentures (7(a) above) opted at maturity to extend the debentures for two years to October 22, 2018 and to have the debenture conversion price reduced from $1.00 to $0.15 per common share (the "Amended Conversion Debentures"). The Amended Conversion Debentures were also amended to add a clause whereby, if the Company issues common shares or convertible securities which are convertible into common shares at a conversion price which is lower than the amended conversion price of $0.15, the Company will apply to the TSXV Exchange to amend the conversion price of the Amended Conversion Debentures to the 10-day volume-weighted market price of the common shares. As the conversion price can be amended, the conversion feature failed the 'fixed-for-fixed' criteria and was classified as a derivative liability with a fair value of $56,787 at the date of issuance.

For financial statement purposes the amendment of the Convertible Debentures is treated as an extinguishment and the repurchase of the debentures with the issuance of new Amended Conversion Debentures. The Amended Conversion Debenture liability was valued at fair market value at the date of issuance of $93,472, calculated as the present value of the Amended Conversion Debenture's cash flows using a market rate of interest of 25%. The debenture obligation, net of transaction costs of $2,091, is accreted to face value at maturity using the effective interest rate method.

The conversion feature of the Amended Conversion Debentures was valued using a Binomial model with the following assumptions:

	Conversion
Exercise price	$0.15
Time to maturity	2
Risk-free rate	0.52%
Volatility	119.50%
Dividend rate	nil

Interest expense and accretion of $2,714 (2016 - $2,647) and $2,028 (2016 - $1,875) respectively, were recognized on the Amended Conversion Debentures in 2017.

In March, 2017 all $115,000 of the Amended Conversion Debentures were converted to common shares with the issuance of 766,667 shares. The shares were recorded at the total of the accreted fair value of the debentures of $95,284 plus the fair value of the conversion feature of $305,988 at the conversion date.

Debentures paid out in 2016

(d) **Short-Term Convertible Debentures:** On March 25, 2015, the Company completed a non-brokered private placement of unsecured short-term convertible debentures ("Short-Term Convertible Debentures") for gross proceeds of $250,000. Of the total, $160,000 was issued for cash and $90,000 was exchanged for consulting services. The debentures matured on March 25, 2016 and may be converted by the holder at any time into common shares of the Company at a price of $0.60 per common share. Interest is payable on the debentures at an annual rate equal to twelve percent (12%), paid in cash on a quarterly basis in arrears. The Short-Term Convertible Debentures may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty.

No finders' fees or commissions were paid in connection with the Short-Term Convertible Debenture offering. A Director and Officer of the Company subscribed for $50,000 of the debentures.

7. Debentures payable (continued)

The debentures were originally valued by deducting the fair value of the conversion feature of $87,500 and transaction costs of $17,876 for a residual value of $144,264. The derivative liabilities of the conversion feature were valued using the Black-Scholes model with the following assumptions:

	Conversion
Exercise price	$0.06
Time to maturity	1.0
Risk-free rate	0.49%
Volatility	122.34%
Dividend rate	nil

Transaction costs were recorded against the debenture and were expensed over the life of the debenture using the effective interest rate method. These debentures had an effective interest rate of 75.69%.

On July 27, 2015 $70,000 of the Short-Term Convertible Debentures were converted into 1,166,667 common shares at $0.60 per share. The recorded debenture value was reduced by $48,678 and the conversion feature derivative value was reduced by $35,000. The common shares issued were valued at $83,678. On September 22, 2015 a further $20,000 of these Short-Term Convertible Debentures were converted into 333,333 common shares at $0.60 per share. The recorded debenture value was reduced by $15,526 and the conversion feature derivative value was reduced by $4,333. The common shares issued were valued at $19,859.

On March 25, 2016, at maturity, the outstanding debentures were repaid in cash.

8. Derivative liabilities and warrants

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. All warrants have been treated as derivative financial liabilities as exercise price of the warrants may be adjusted if the Company issues common shares at less than 95% of the quoted market price. The fair value movement during the period was recognized in profit or loss (however, warrants issued to agents and brokers are classified as share based payments and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The Company also issues convertible debentures and the conversion features were considered a derivative liability and measured in accordance with the above. The Company uses the Black-Scholes model or a Binomial model to determine the fair value of the Derivative Liabilities at inception and at each period end.

On June 16, 2016 the Company received final approval from the TSXV Exchange to amend the terms of all outstanding warrants issued in connection with private placements of debentures on August 21, 2013, October 22, 2013, and December 31, 2014 and private placements of common shares on June 20, 2014, June 4, 2015, and September 29, 2015 (‘Warrants’). The Warrants were amended as follows:

- **a.** The expiry date of each series of Warrants was extended for an additional two (2) years from the original expiry date.
- **b.** The exercise price of all of the Warrants was amended to $0.40.
- **c.** The Warrants, as amended, include an accelerated expiry provision such that the exercise period of each of the classes of the Warrants will be reduced to 30 days if for any 10 consecutive trading days during the unexpired term of such class of Warrants (the “Premium Trading Days”) the closing price of the Company’s common shares exceeds the amended exercise price by 25% or more (which would be a trading price of $0.50 per common share or higher), with the 30-day expiry period to begin no more than 7 calendar days after the 10th Premium Trading Day.
- **d.** The warrants issued include a down round (ratchet clause) whereby the exercise prices for the issued warrants could be adjusted in the event the Company subsequently issues rights, options or warrants at a price less than 95% of the current market price, to existing shareholders of the company.

8. Derivative liabilities and warrants (continued)

Amounts in Canadian Dollars unless otherwise stated

This amendment was recognized in the loss and as an increase to Derivative Liabilities of $208,551, which was valued using a Binomial model with the following assumptions:

Original issue date	8/21/2013	10/22/2013	6/20/2014	12/31/2014	6/04/2015	9/29/2015
Exercise price	$0.40	$0.40	$0.40	$0.40	$0.40	$0.40
Time to maturity	2.18	2.35	2.01	2.54	2.97	3.29
Risk-free rate	0.51%	0.52%	0.51%	0.52%	0.53%	0.54%
Volatility	126%	129%	127%	134%	154%	149%
Dividend rate	nil	nil	nil	nil	nil	nil

The following table summarizes the changes in Derivative Liabilities during the years ended December 31, 2017 and 2016:

Balance, December 31, 2015	**$ 291,374**
Warrants issued with extension of debentures (Note 7(b))	357,093
Conversion Features issued with extension of debentures (Note 7(b)(c))	93,488
Warrants issued with sale of common shares (Note 9)	194,265
Amendment of Warrants with extension of maturity	208,550
Derivative revaluation adjustment	(401,962)
Balance, December 31, 2016	**$ 742,808**
Warrants issued with sale of shares (Note 9)	3,359,020
Warrants issued with Shares for Debt transaction (Note 7(b),9)	504,000
Conversion of convertible debentures (Note 7(c))	(304,105)
Warrant exercises	(1,918,455)
Repayment of convertible debentures with Shares for Debt (Note 7(b))	(214,189)
Repayment of convertible debentures with cash (Note 7(b))	(27,409)
Derivative revaluation adjustment	42,161
Balance, December 31, 2017	**$ 2,183,831**

Warrant Transactions – 2017

Private Placement

As part of a Private Placement on March 23, 2017 (Note 9) the Company issued 10,496,938 common share warrants. Each warrant (“Warrant”) entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.50 per common share for a period of 2 years after the issuance of the Warrant. The Warrants were initially valued on the grant date at $3,359,020 using a Binomial model with the assumptions outlined below, and recorded in Derivative Liabilities. An Officer and Director of the Company purchased 312,500 of the Units.

The Company paid cash finder's fees of $188,030 and issued an aggregate of 282,555 common shares and 282,555 non-transferable warrants (the "Finder's Warrants") to finders in connection with the Private Placement. Each Finder's Warrant is exercisable into one common share at a price of $0.50 per common chare for a period of two years from the date of issuance. The Finder’s Warrants were valued at $123,533 using a Binomial model with assumptions outlined below.

	Warrants	Finder’s Warrants
Exercise price	$0.50	$0.50
Time to maturity	2.00	2.00
Risk-free rate	0.77%	0.77%
Volatility	152%	152%
Dividend rate	nil	nil

Amounts in Canadian Dollars unless otherwise stated

8. Derivative liabilities and warrants (continued)

Shares for Debt Private Placement

On March 21, 2017, as part of the same Private Placement, the Company completed a shares-for-debt ("Shares for Debt") transaction with holders of $423,753 of outstanding Amended Convertible Debentures (Note 7(b)). As part of the transaction, the Company issued to the debenture holders a total of 1,575,000 Warrants. An Officer and Director of the Company was issued 312,500 Warrants in payment of $100,000 of the Amended Convertible Debentures.

The Warrants were initially valued on the grant date at $504,000 using a Binomial model with the assumptions outlined below.

	Warrants
Exercise price	$0.50
Time to maturity	2.0
Risk-free rate	0.79%
Volatility	152%
Dividend rate	nil

Warrant exercises

During the months of March, April and May, 2017 the Company's warrant holders elected to exercise a total of 5,904,130 warrants at exercise prices ranging between $0.15 and $0.40 per common share. The proceeds to the Company from these warrant exercises totalled $1,250,236 in cash. Warrant exercises are accounted for as a reduction to the Derivative Liability of the warrant value, revalued at the date of exercise. The common shares issued are accounted for as the total of the cash exercise price plus the Warrant value $1,918,455, which was determined using a Binomial model at assumptions which varied with each warrant exercise.

Transactions in which warrants were issued – 2016

On October 4, 2016 the Company completed the first tranche of a private placement of Units (Note 9) for gross proceeds of $300,000 and issued 2,000,001 warrants. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.30 per common share for a period of 2 years after the issuance of the warrant, subject to acceleration in certain events. The common shares and the warrants acquired by the subscribers are subject to a hold period of four months plus one day from the date of closing of the private placement.

On December 16, 2016, the Company closed the second tranche of the private placement for gross proceeds of $400,000 with the issuance of 2,666,667 warrants.

The warrants issued include a down round (ratchet clause) whereby the exercise prices for the issued warrants could be adjusted in the event the Company subsequently issues rights, options or warrants at a price less than 95% of the current market price, to existing shareholders of the company.

The October and December issuances of warrants were valued on the grant dates at $86,218 and $108,047, respectively, using Binomial models with the assumptions outlined below.

	Warrants	
	October 4, 2016 tranche	December 16, 2016 tranche
Exercise price	$0.30	$0.30
Time to maturity	1.76	1.96
Risk-free rate	0.63%	0.64%
Volatility	151.5%	143.19%
Dividend rate	nil	nil

On August 21, 2016, the Company amended $228,000 of the outstanding August 21, 2013 Convertible Debentures (Note 7(b)), such that the maturity date of the debentures has been extended for a period of 24 months to August 21, 2018. In consideration for agreeing to extend the maturity date, the Company issued to the debenture holders an aggregate of 1,519,998 warrants exercisable into 1,519,998 common shares of the Company at a price of $0.15 per share until August 21, 2018.

Amounts in Canadian Dollars unless otherwise stated

8. Derivative liabilities and warrants (continued)

The warrants issued include a down round (ratchet clause) whereby the exercise prices for the issued warrants could be adjusted in the event the Company subsequently issues rights, options or warrants at a price less than 95% of the current market price, to existing shareholders of the company.

The warrants were recorded in Derivative Liability at a value of $155,877, which was derived using a Binomial model with the following assumptions:

	Warrants
Exercise price	$0.15
Time to maturity	2
Risk-free rate	0.56%
Volatility	128.0%
Dividend rate	nil

On October 22, 2016 the Company amended $385,000 of the outstanding October, 22, 2013 Convertible Debentures (Note 7(b)), such that the maturity date of the debentures has been extended for a period of 24 months to October 22, 2018. In consideration for agreeing to extend the maturity date, the Company issued to the debenture holders an aggregate of 2,566,667 warrants exercisable into 2,566,667 common shares of the Company at a price of $0.15 per share until October 22, 2018.

The warrants issued include a down round (ratchet clause) whereby the exercise prices for the issued warrants could be adjusted in the event the Company subsequently issues rights, options or warrants at a price less than 95% of the current market price, to existing shareholders of the company.

The warrants were recorded in Derivative Liabilities and were valued at $201,216 using a Binomial model with the following assumptions:

	Warrants
Exercise price	$0.15
Time to maturity	2
Risk-free rate	0.53%
Volatility	129%
Dividend rate	nil

Warrants outstanding

Changes in the number of warrants outstanding during the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
	Number of Warrants	**Weighted average exercise price**	**Number of Warrants**	**Weighted average exercise price**
Balance, January 1	13,171,403	$0.30	4,507,160	$1.13
Granted	12,354,493	$0.50	8,753,333	$0.23
Expired	(300,000)	$1.10	(89,090)	$0.55
Exercised	(5,904,130)	$0.21	-	-
Balance, December 31	19,321,766	$0.44	13,171,403	$0.30

Amounts in Canadian Dollars unless otherwise stated

8. Derivative liabilities and warrants (continued)

The following table reflects warrants outstanding, all of which are exercisable, at December 31, 2017:

Exercise Price	Quantity	Remaining Avg Contractual Life
$0.15	165,000	0.81
$0.30	3,356,668	0.91
$0.40	3,445,606	1.12
$0.50	12,354,492	1.22
$0.44	**19,321,766**	**1.15**

The fair value of the warrants and conversion features at the dates of the statement of financial position of re-measurement for 2017 and 2016 were valued using either a Binomial model or a Black-Scholes model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Time to maturity	1.15	0.90
Risk-free rate	1.66%	0.56%
Volatility	111.14%	136.5%
Dividend rate	nil	nil

9. Share capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

Share transactions – 2017

Unit Private Placement

On March 23, 2017 the Company closed a non-brokered private placement (the “Private Placement”) of 10,496,938 units (“Units”) at $0.32 per Unit for total gross cash proceeds of $3,359,020. Each Unit consists of one common share of the Company and one common share purchase warrant (“Warrant”), with each Warrant entitling the holder thereof to acquire one common share at a price of $0.50 per common share for a period of 2 years after the issuance of the Warrant. The common shares and the Warrants are subject to a hold period of four months plus one day from the date of issuance. The Warrants were initially valued on the grant date with the assumptions disclosed in Note 8.

An Officer and Director of the Company, subscribed for 312,500 Units in the Private Placement.

The Company paid cash finder's fees of $188,030 and issued an aggregate of 282,555 common shares and 282,555 non-transferable warrants (the "Finder's Warrants") to finders in connection with the Private Placement. Each Finder's Warrant is exercisable into one common share at a price of $0.50 per common share for a period of two years from the date of issuance. The Finder’s Warrants were valued at $123,533 using a Binomial model with assumptions described in Note 8.

Shares for Debt Private Placement

As part of the Unit Private Placement, on March 21, 2017 the Company completed a shares-for-debt (“Shares for Debt”) transaction with holders of $504,000 of outstanding Amended Convertible Debentures (Note 7(b)). The Company issued to the holders of the debentures a total of 1,575,000 Units. An Officer and Director received 312,500 Units in full payment of $100,000 of the debentures. The shares were recorded at a value of $504,000. The accreted fair value of the debentures of $423,753 plus the fair value of the debenture conversion features exceeded the $504,000 share capital value of the Units resulting in a gain on the Shares for Debt transaction of $133,942, which is recognized in the loss.

9. Share capital (continued)

Convertible Conversions

In March, 2017 holders of the Amended Conversion Convertible Debentures (Note 7(c)) converted all $115,000 of the debentures into a total of 766,667 common shares at an exercise price of $0.15 per common share. The 766,666 common shares were recorded at the total of the accreted fair value of the debentures of $95,284 plus the fair value of the conversion feature of $305,987 at the conversion date.

Warrant Exercises

In 2017, the Company issued 5,904,130 common shares due to the exercise of warrants at exercise prices between $0.15 and $0.40, for total proceeds received of $1,250,236 (Note 8). The common shares issued due to these warrant exercises are free-trading. The common shares issued are accounted for as the total of the cash exercise price of the Warrants plus the Warrant value of $1,918,455 for a total increase to Share Capital of $3,168,692.

Stock Option Exercises

In addition, 425,000 shares were issued in 2017 as a result of the exercise of stock options for proceeds of $68,250. Common shares issued were recorded at a value of $116,167.

Share transactions – 2016

Unit Private Placement

On October 4, 2016 the Company completed the first tranche of a non-brokered private placement. The first tranche involved the issuance of 2,000,001 units (“Units”) at a price of $0.15 per Unit, for gross proceeds of $300,000. Each Unit consisted of one common share of Ventripoint and one common share warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of $0.30 per common share for a period of 2 years after the issuance of the warrant, subject to acceleration in certain events. The common shares and the warrants acquired by the subscribers are subject to a hold period of four months plus one day from the date of closing of the private placement.

Two of the subscribers in the first tranche accepted an aggregate of 253,334 Units as payment in full of $38,000 in outstanding Convertible Debentures issued on August 21, 2013 (Note 7(a)), as a shares-for-debt transaction.

On December 16, 2016, the Company closed the second and final tranche of the private placement with the issuance of 2,666,667 Units at $0.15 per Unit for gross proceeds of $400,000. One of the subscribers in the second tranche accepted 166,667 Units as payment for $25,000 in outstanding amounts due from the Company for consulting fees, in a shares-for-debt transaction. An Officer and Director of the Company subscribed for 660,000 Units in the second tranche.

Shares for Interest

On November 7, 2016 the Company issued an aggregate of 461,538 common shares as a shares-for-debt transaction at a deemed price of $0.13 per common share as payment for $60,000 in interest owing by the Company to holders of Convertible Debentures issued October 22, 2013 (Note 7(a)).

On September 17, 2016 the Company issued an aggregate of 214,225 common shares at a deemed price of $0.15 per common share as payment for $31,920 in interest owing by the Company to holders of Convertible Debentures issued August 21, 2013 (Note 7(a)).

Deferred Share Unit exercise

Upon the exercise of Deferred Share Units (“DSU”) (Note 15) by a Director who resigned from the Board of Directors on February 15, 2016, the Company issued 67,500 immediately tradable common shares and 15,000 common shares subject to a hold period of four months plus one day from the date of grant on February 5, 2016. The DSU’s were expensed at each grant date from 2012 through 2016 for a total expensed amount of $74,577, and were measured at the five-day volume weighted average trading price of the Company’s common shares on the day prior to the day the DSUs were granted. At the exercise date, the amount originally expensed and booked to Contributed Surplus was transferred to Share Capital.

9. Share capital (continued)

Weighted average number of shares

The weighted average number of shares for the year ended December 31, 2017 was 47,215,163 (2016 – 27,503,645). The Company has not adjusted its weighted average number of shares outstanding for the purpose of calculating the diluted loss per share as any adjustment related to stock options or warrants would be anti-dilutive.

Nature and purpose of Contributed Surplus

The reserves recorded in equity on the Company's statement of financial position include 'Contributed Surplus' and 'Deficit'. Contributed Surplus is used to recognize the value of stock option grants, DSUs and share purchase warrants prior to exercise. Deficit is used to record the Company's change in deficit from earnings from year to year.

Stock Option Plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to Directors, Officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance in any one period to any one optionee shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allotted to each Director, Officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

Stock option transactions – 2017

Stock option exercises

In 2017, 425,000 stock options were exercised with the issuance of 425,000 common shares, resulting in cash proceeds of $68,250. The value of the Share Capital recognized is the total of the cash proceeds from the exercise and the expense previously recognized for the issuance of the stock options, resulting in a total increase to Share Capital of $116,167. A Director of the Company exercised 75,000 stock options at an exercise price of $0.17 per common share.

Stock option grants

On December 4, 2017 the Board of Directors granted 70,000 stock options to new employees at an exercise price of $0.25, with a term of 5 years, and vesting quarterly over 3 years. In addition, 150,000 stock options were granted to consultants with an exercise price of $0.25, a term of one year, and vesting immediately.

On August 14, 2017 the Board of Directors granted to the new Vice President, Development and Operations 250,000 options at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years. The Board also granted each of the three new Vice Presidents a further 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 3 years. The CEO and CFO were each granted 100,000 stock options each at $0.32 for a term of 5 years, to replace their vested stock options, which were cancelled on July 1, 2017. In addition, the CEO was granted 300,000 new stock options at the same price and term.

Effective July 1, 2017 the Board of Directors of the Company granted to two new Sales Vice Presidents, 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years.

On June 19, 2017 the Board of Directors granted a consultant 50,000 common stock options with an exercise price of $0.32 per share, vesting immediately, and maturing in one year. On May 2, 2017 the Board of Directors granted 445,000 common stock options to six consultants with an exercise price of $0.32 per share and maturing in 2 years. These stock options vest quarterly over one year. In addition, the Board granted 100,000 stock options to the CFO of the Company, with an exercise price of $0.32, maturing in 5 years and vesting immediately.

Amounts in Canadian Dollars unless otherwise stated

9. Share capital (continued)

On January 6, 2017 the Company announced that FronTier Consulting Ltd. ('FronTier') has been retained for 12 months to provide IR services for a fee of $6,000 per quarter, and to provide additional marketing consulting services for $60,000. Under the terms of the agreement the Company also issued 200,000 stock options to FronTier at an exercise price of $0.15 per common share, maturing in 2 years and vesting quarterly over one year.

Stock option transactions – 2016

Stock option grants

On November 17, 2016 the Board of Directors approved the grant of 160,400 stock options to consultants in payment for their services. These stock options are for a term of two years, 150,000 of which are exercisable at $0.15 per common share and 10,400 of which are exercisable at $0.30 per common share. The value of the options were determined based on the fair value of the equity instruments granted as the fair value of the services received could not be determined reliably.

In addition, the Board approved the grant of 75,000 stock options to a Director in payment for his business consulting services to the Company. These options are for a term of 10 years, vest immediately and are exercisable at $0.17 per common share.

On April 11, 2016 the Company granted 75,000 stock options to a new Director who joined the Board of Directors in February, 2016, in recognition of his future services as a Director on the Board. The stock options to purchase common shares of the Company are exercisable at $0.18 per common share for a term of ten (10) years to April 11, 2026, and vest immediately.

Also on April 11, 2016 a consultant was granted 100,000 stock options, exercisable at $0.18 per common share maturing on April 11, 2019, and vesting quarterly over the first year. The value of the options were determined based on the fair value of the equity instruments granted as the fair value of the services received could not be determined reliably.

Stock options outstanding

Changes in the number of options outstanding during the years ended December 31, 2017 and 2016 were as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance, January 1	1,106,400	$0.73	1,027,143	$1.00
Granted	3,015,000	$0.30	410,400	$0.17
Exercised	(425,000)	$0.16	-	-
Cancelled /expired	(307,000)	$1.21	(331,143)	$0.99
Balance, Period end	3,389,400	$0.38	1,106,400	$0.73

The following table reflects stock options outstanding and exercisable at December 31, 2017:

	Options Outstanding			Options Exercisable		
Grant Price Range	**# of options**	**weighted avg remaining life**	**weighted avg exercise price**	**# of options**	**weighted avg remaining life**	**weighted avg exercise price**
$0.15 - $0.25	395,000	2.86	$0.20	325,000	2.65	$0.20
$0.26- $0.32	2,605,400	3.96	$0.32	1,101,649	3.69	$0.32
> $0.33	389,000	1.65	$0.95	389,000	1.65	$0.95
	3,389,400	3.57	$0.38	1,815,649	3.07	$0.43

Amounts in Canadian Dollars unless otherwise stated

9. Share capital (continued)

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes model with the following weighted average assumptions:

	December 31, 2017	December 31, 2016
Expected option life	4.09 years	5.02 years
Risk-free rate	1.37 %	1.48%
Expected forfeiture rate	6.0%	6.0%
Expected volatility	141.26 %	129.86%
Dividend yield	nil	nil

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise. The forfeiture rate is an estimate based on historical evidence and future expectations. The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

10. Income taxes

Income taxes are calculated at year end only. The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principle reasons for differences between such “expected” income tax expense and the amount actually recorded are as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Loss before income taxes	$(3,703,202)	$(2,623,752)
Statutory income tax rate	28.65%	28.47%
Expected tax recovery	$(1,061,023)	$(747,043)
Non-deductible expenses	109,448	149,117
Differences due to foreign jurisdiction and foreign exchange	6,024	388,743
Change in unrecognized deferred tax assets	(2,238,302)	209,183
Change in tax rates	3,183,853	-
Income tax provision (recovery)	-	-

The statutory income tax rate represented is a blended U.S. and Canadian statutory tax rate. The operations of the Company are in both Canada and in the U.S. and therefore this rate would provide a more meaningful representation of the tax consequences.

Amounts in Canadian Dollars unless otherwise stated

10. Income taxes (continued)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	**2016**
Share issuance costs	$184,830	$61,972
Non-capital losses	9,232,567	11,395,344
Eligible capital expenditures	26,280	27,048
Payroll difference	257,975	419,773
Other	15,828	51,645
Unrecognized deferred tax assets	$9,717,480	$11,955,782

At December 31, 2017, the Company had Canadian tax losses of $15.8M (2016 - $13.4M) that will expire between 2026 and 2037, and U.S. tax losses of approximately $23.6M (2016 - $23.2M) which will expire between 2025 and 2037.

11. Statement of loss and comprehensive loss supplementary information

Components of operating expenses for the years ended December 31, 2017 and 2016 were as follows:

Research and development	**2017**	**2016**
Research and development	$1,103,477	$1,154,916
Share-based compensation	72,454	-
Depreciation and amortization of property and equipment	2,977	1,948
Total	$1,178,908	$1,156,864

Sales and marketing	**2017**	**2016**
Sales and marketing	$845,969	$78,043
Share-based compensation	135,677	-
Depreciation and amortization of property and equipment	7,145	7,256
Total	$988,791	$85,299

General and administration	**2017**	**2016**
General and administration	$ 942,392	$719,420
Share-based compensation	278,172	70,918
Depreciation and amortization of property and equipment	2,592	1,782
Total	$ 1,223,156	$792,120

12. Personnel costs

Personnel costs for the years ended December 31, 2017 and 2016 were as follows:

Personnel costs	**2017**	**2016**
Salaries, fees and short-term benefits	$894,197	$370,264
Share-based compensation	486,302	70,918
Total	$1,380,499	$441,182

In 2017, stock based compensation of $350,626 (2016 - $29,605) was paid to consultants and was recorded in general and administrative, and research and development share-based compensation expense.

Amounts in Canadian Dollars unless otherwise stated

13. Finance costs

Finance costs for the years ended December 31, 2017 and 2016 were as follows:

Finance costs	**2017**	**2016**
Bank charges and fees	$ 4,983	$ 3,004
Transaction Costs	405,598	8,229
Interest expense on debentures	18,981	95,223
Accretion on debentures and transaction costs	13,907	342,914
Total finance costs	$443,469	$449,370

Transaction costs include cash paid for legal, regulatory, cash finder's fees and non-cash finder's fees ($141,162) incurred in the Private Placement.

14. Contractual Commitments

The Company has the following contractual obligations as of December 31, 2017:

CDN$	**2018**	**2019**	**2020**	**2021-2027**	**Total**
Premises lease	$ 44,352	$ 45,575	$ 46,799	$ 84,727	$ 221,453
University of Washington Technology Minimum Annual Royalty	6,490	6,490	6,490	45,430	64,900
Total contractual commitments for the period	$ 50,842	$ 52,065	$ 53,289	$ 130,157	$ 286,353

The Minimum Annual Royalty (MAR) due to the University of Washington under the Technology License Agreement was US$50,000 until September, 2016, when the underlying Licensed Patent expired, in recognition of which, at the end of 2017 the MAR was reduced to US$5,000, retroactively from September, 2016. The full US$50,000 MAR was accrued during 2016, but has now been amended to US$30,068. A recovery of US$13,932 (CDN$ - $18,084) has been recognized as Other Income in the Statement of Loss and Comprehensive Loss.

In 2017, the Company moved into new leased office premises at 2 Sheppard Ave East, Suite 605, Toronto, Ontario. The lease is a 5 year lease with annual increases in base rent, which is expensed evenly over the lease period.

15. Related parties

The key management personnel of the Company are the Directors, the Chief Executive Officer, the President, and the Chief Financial Officer.

Compensation for key management personnel of the Company for the years ended December 31, 2017 and 2016 was as follows:

	2017	**2016**
Salaries, fees and short-term benefits	$515,755	$355,920
Deferred Share Units	80,638	8,288
Share-based compensation	233,398	41,314
Directors' fees	73,391	32,416
Debenture interest	2,630	13,496
Total key management personnel expenses	$905,812	$451,434

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Certain Officers may participate in the Company's health plan. Directors receive annual and meeting fees for their services. As at December 31, 2017 the key management personnel control 3.4% of the outstanding voting shares of the Company (6.87% on a fully diluted basis).

15. Related parties (continued)

At the Annual General Meeting of Shareholders on August 14, 2017, the shareholders approved an increase of 300,000 shares available under the DSU plan to a total of 600,000. Also on August 14th the Company granted a total of 300,000 DSUs to four independent Directors, in recognition of their past and future services to the Company. Under the terms of the Company's Deferred Share Unit Plan, holders of DSUs may redeem each DSU for one share of common stock upon the termination of their services to the Company at no cost to the holder. DSUs are measured at fair value on the date of grant. At December 31, 2017, a total of 600,000 DSUs have been granted; 37,500 DSUs have expired unused, 150,000 DSUs have been exercised, and 412,500 DSUs remain outstanding.

Effective July 1, 2017 the Board of Directors of the Company granted to two new Sales Vice Presidents, 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years.

On August 14, 2017 the Board of Directors granted to the new Vice President, Development and Operations 250,000 options at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years. The Board also granted each of the three new Vice Presidents a further 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 3 years. The CEO and CFO were each granted 100,000 stock options at an exercise price of $0.32 for a term of 5 years, to replace fully vested stock options which were cancelled on July 1, 2017. In addition, the CEO was granted 300,000 new stock options at the same price and term.

In March, 2017, an Officer and Director of the Company who held $100,000 of the August Amended Convertible Debentures (Note 7(b)), was paid out in the March 21, 2017 Shares for Debt Private Placement with the issuance of 312,500 Units (Note 9). The same Officer and Director also subscribed for 312,500 Units in the March 23, 2017 Private Placement (Note 9).

Also in March, 2017 a Director of the Company exercised 75,000 of common stock options at an exercise price of $0.17 per common share. On May 5, 2017 an Officer of the Company was granted 100,000 stock options at an exercise price of $0.32 for a term of 5 years.

On November 17, 2016 the Board approved the grant of 75,000 stock options to a Director in compensation for his business consulting services to the Company. These options are for a term of 10 years to November 17, 2016, vest immediately and are exercisable at $0.17 per common share. On April 11, 2016 the Company granted 75,000 stock options to a new Director who joined the Board of Directors in February, 2016, in recognition of his future services as a Director on the Board. The stock options to purchase common shares of the Company are exercisable at $0.18 per common share for a term of ten (10) years to April 11, 2026, and vest immediately.

On February 5, 2016 the Board of Directors granted 37,500 DSUs to two Directors under the terms of the Company's Deferred Share Unit Plan for Directors and Executive Officers. On February 26, 2016 a retiring Director exercised 82,500 DSUs for 82,500 common shares.

16. Capital disclosures

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain future development of the business. In the management of capital, the Company includes shareholders' deficit, excluding accumulated other comprehensive loss. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares or units. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2016.

17. Geographical reporting

Revenue earned by the Company in 2017 and 2016 was entirely from the sale of parts to China. As at December 31, 2017 all intangible assets with a cost of $37,340, and fixed assets with a cost of $11,471 (net book value of nil) were located in the United States. The remaining long term assets held by the Company are located in Canada.

Amounts in Canadian Dollars unless otherwise stated

17. Geographical reporting (continued)

	December 31, 2017				December 31, 2016				
	Canada	USA	China	Total	Canada	USA	China	Europe	Total
Sales	-	-	38,905	$38,905	-	-	201,632	7,847	$209,479
Non-current assets	$49,915	37,340	-	$87,255	$24,158	37,340	-	-	$61,498

18. Financial instruments

The Company's financial instruments consist of cash and equivalents, accounts payables and accrued liabilities, debentures payable and derivative liabilities. Cash and equivalents are classified as loans and receivables, which are measured at fair value. Accounts payable and accrued liabilities and debentures payable are classified as other financial liabilities, which are also measured at amortized cost. Derivative financial liabilities are measured at fair value.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 (ie, as prices) or indirectly (ie. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company measures its derivative liabilities at fair value through profit or loss and has determined this valuation to be a level 2 valuation as it is based on inputs that are observable.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and equivalents, and trade accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within operating expenses. When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Within the accounts receivable, all amounts receivable are considered to be collectible. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at December 31, 2017 and 2016 was:

	December 31, 2017	December 31, 2016
Cash and equivalents	$1,358,923	$ 191,282

(b) ***Liquidity risk*****:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financial activities. The majority of the Company's financial liabilities are due within 90 days. The Company has no long-term financial liabilities.

18. Financial instruments (continued)

The following table consists of accounts payable and accrued liabilities and sets out contractual maturities (representing undiscounted contractual cash flows) of the financial liabilities outstanding at December 31, 2017:

	2018				
	Q1	**Q2 - Q4**	**2019**	**2020-2022**	**Total**
Accounts payable & accrued liabilities	1,141,232	122	1,285	9,727	1,152,366
Total	1,141,232	122	1,285	9,727	1,152,366

The contractual maturities of commitments at period end are included in Note 14.

(c) ***Market risk:***

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

(*d*) ***Foreign currency risk:***

The majority of the Company's purchases were made in Canadian dollars in 2017. None of the Company's equipment sales in 2017 were denominated in foreign currencies. The Company's capital and debt transactions are denominated in Canadian dollars and the Company now maintains most of its cash and equivalents in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates.

With all other variables held constant, a 10% point increase in the value of the U.S. dollar relative to the Canadian dollar would have increased the non-operating loss due to foreign currency differences by approximately $8,360 for the year ended December 31, 2017 (2016 - $7,710). There would be an equal and opposite impact on the net loss with a 10% point decrease in the value of the U.S. dollar relative to the CDN$.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings. The Company manages this risk by pricing sales in CDN$. The Company has not entered into any forward foreign exchange contracts.

The Company was exposed to currency risk as at December 31, 2017 and 2016 as follows:

	2017 US$	**2016 US$**
Cash and equivalents	$ 145,231	$ 33,190
Accounts receivable	-	-
Accounts payable and accrued liabilities	521,472	556,060
Total	$ 666,703	$ 589,250

19. Subsequent events

Effective January 1, 2018, the new Director of North American sales was granted 50,000 stock options of the Company, with an exercise price of $0.25, a term of 5 years, and vesting quarterly over 3 years.

On March 20, 2018, the Board of Directors granted 120,000 stock options to employees and 50,000 options to the Chair of the Company's new Business Advisory Committee. The options have an exercise price of $0.32, a term of 5 years and vest quarterly over 3 years.

On April 5, 2018, the Company issued to the CEO 375,000 common shares of the Company in payment of outstanding back pay accrued from 2013 through 2016, of $120,000. The shares were issued at a deemed price of $0.32 per common share in a Shares for Debt transaction.

Also on April 5, 2018, the Company issued 28,125 shares to a consultant in payment of $9,000 of consulting fees in common shares at a deemed price of $0.32 and the Company issued 96,774 shares in payment of a $30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The deemed price of these shares was $0.31.

19. Subsequent events (continued)

Subsequent to December 31, 2017 the Company has issued 1,010,000 common shares due to the exercise of warrants at exercise prices of $0.30, for total cash proceeds received of $303,000. In addition, 250,000 shares have been issued as a result of the exercise of stock options for proceeds of $52,500. The common shares issued for these warrant and stock option exercises are free-trading.