



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED  
MARCH 31, 2018  
  
(UNAUDITED)**

**Notice to Reader**

These amended interim financial statements are refiled on July 19, 2018 with a Consolidated Statement of Changes in Shareholder's Equity revised to show the comparative financial information for the corresponding interim period ended March 31, 2017 in accordance with *National Instrument 51-102 Continuous Disclosure Obligations*

PREPARED BY MANAGEMENT WITHOUT REVIEW BY THE COMPANY'S AUDITORS

Ventripoint Diagnostics Ltd.  
Consolidated Statements of Financial Position  
Amounts in CDN Dollars

	Note	As at March 31, 2018	As at December 31, 2017
<b>ASSETS</b>			
Cash and equivalents		\$932,805	\$1,358,923
Amounts receivable	3	15,795	99,809
Inventory		97,961	50,582
Prepaid Expenses		78,362	113,387
<b>Total current assets</b>		1,124,923	1,622,701
Property and equipment	5	49,129	49,915
Intangible assets		37,340	37,340
<b>Total non-current assets</b>		86,469	87,255
<b>Total assets</b>		\$1,211,392	\$1,709,956
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>			
Accounts payable and accrued liabilities	4	\$1,163,965	\$1,152,366
Derivative liabilities	7	1,215,260	2,183,831
<b>Total current liabilities</b>		2,379,225	3,336,197
<b>Total liabilities</b>		\$2,379,225	\$3,336,197
<b>Shareholders' deficit</b>			
Share capital	8	26,987,980	26,565,366
Contributed surplus	8	4,430,514	4,344,397
Deficit		(32,586,327)	(32,536,004)
<b>Total deficit</b>		(\$1,167,834)	(\$1,626,241)
<b>Total liabilities and shareholders' deficit</b>		\$1,211,392	\$1,709,956

*See accompanying notes to the consolidated financial statements.*

# Ventripoint Diagnostics Ltd.

## Consolidated Statements of Loss and Comprehensive Loss

Amounts in CDN Dollars

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017 Restated
<b>Revenue</b>		\$ 1	\$ 38,903
<b>Cost of revenue</b>		1,580	50,057
<b>Gross Margin</b>		(1,579)	(11,154)
<b>Expenses</b>			
Research and development		332,404	181,065
Sales and marketing		303,141	38,526
General and administrative		263,033	302,981
Total operating expenses	9	898,579	522,572
<b>Loss from operations</b>		(900,158)	(533,726)
<b>Non-operating income (loss)</b>			
Finance costs		(1,107)	(430,362)
Derivative liabilities revaluation adjustment	7	867,911	(3,124,462)
Other income (expense)	6(b)	-	10,401
Gain (loss) on shares issued for debt	6(b)	-	133,942
Foreign currency differences		(16,969)	(17,755)
Total non-operating income (loss)		849,834	(3,428,236)
<b>Loss and comprehensive loss</b>		(\$50,323)	(\$3,961,962)
<b>Basic and diluted loss per share</b>	8	(0.00)	(0.12)

*See accompanying notes to the consolidated financial statements.*

Ventripoint Diagnostics Ltd.  
Consolidated Statements of Cash Flows  
Amounts in CDN Dollars

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017 Restated
<b>OPERATING ACTIVITIES</b>			
Net loss		(\$50,323)	(\$3,961,962)
<i>Adjustments for items not effecting cash:</i>			
Depreciation and amortization	5	6,202	2,776
Share-based compensation	8	127,571	9,139
Accretion of debentures payable		-	13,907
Interest on debentures payable		-	18,981
Derivative liabilities revaluation adjustment	7	(867,911)	3,124,462
Gain on shares issued for debt		-	(133,942)
Other expense (income)		-	(10,401)
Transaction costs for financing activities		-	395,534
Foreign exchange gain		16,969	17,755
		(767,492)	(523,751)
<i>Change in non-cash working capital items:</i>			
Amounts receivable		84,014	(71,661)
Prepaid expenses		35,025	9,854
Inventory		(47,379)	(6,706)
Accounts payable and accrued liabilities		11,599	(63,532)
Deferred revenue		-	(38,902)
<b>Cash used in operating activities</b>		(684,233)	(694,698)
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	5	(5,416)	-
<b>Cash used in investing activities</b>		(5,416)	-
<b>FINANCING ACTIVITIES</b>			
Issuance of share capital for cash	7,8	280,500	4,330,506
Interest paid on debentures in cash		-	(40,382)
Debenture repayment in cash		-	(109,000)
Share and debenture issuance costs paid in cash		-	(272,000)
<b>Cash provided by financing activities</b>		280,500	3,909,124
<b>Effect of foreign exchange on cash and equivalents</b>		(16,969)	(14,754)
<b>Net increase (decrease) in cash and equivalents</b>		(426,118)	3,199,671
Cash and equivalents at beginning of period		1,358,923	191,282
<b>Cash and cash equivalents at end of period</b>		\$932,805	\$3,390,953

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
<b>Balance, December 31, 2017</b>		51,588,508	26,565,366	4,344,397	(32,536,004)	(1,626,241)
Share-based compensation	8			127,571		127,571
Stock options exercised	8	250,000	93,954	(41,454)		52,500
Warrants exercised	7,8	760,000	328,660			328,660
Loss and comprehensive loss					(50,323)	(50,323)
<b>Balance, March 31, 2018</b>		52,598,508	\$26,987,980	\$ 4,430,514	\$(32,586,327)	\$(1,167,834)
	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2016</b>		32,138,218	22,881,118	3,701,841	(28,832,802)	(2,249,843)
Shares issued with sale of stock	8	10,496,938	3,359,020			3,359,020
Warrants issued with sale of stock	7, 8		(3,359,020)			(3,359,020)
Liabilities settled with shares	6(b),8	1,575,000	504,000			504,000
Warrants issued with settlement of liabilities	6(b),7		(504,000)			(504,000)
Shares issued on conversion of convertible debentures	6(c)	766,667	399,389			399,389
Share-based compensation	8	-		9,139		9,139
Finder's Units issued in connection with sale of stock	8	282,555		123,533		123,533
Stock options exercised	8	325,000	94,117	(40,867)		53,250
Warrants exercised	7,8	4,306,923	2,360,411			2,360,411
Loss and comprehensive loss					(3,961,962)	(3,961,962)
<b>Balance, March 31, 2017</b>		49,891,301	\$25,735,035	\$ 3,793,646	\$(32,794,764)	\$(3,266,083)

# Ventripoint Diagnostics Ltd.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

Amounts in Canadian Dollars unless otherwise stated

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## 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.

## 2. Basis of presentation

### (a) Statement of compliance

These condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017, have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*. Accordingly, they do not include all disclosures which would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has applied the same accounting policies and methods of computation in its interim condensed consolidated interim financial statements as in its 2017 annual audited consolidated financial statements.

The March 31, 2017 unaudited comparable statements have been restated to reflect the audited adjustments made for the 2017 audited annual financial statements with respect to the valuation of Derivative Liabilities (see Note 2(d)), and to re-allocate \$273,380 of transaction costs from Share Capital to Transaction Costs on the Statement of Loss and Comprehensive Loss.

### (b) Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments. These condensed consolidated interim 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 \$50,323 and had a negative operating cash flow of \$684,233 for the three month period ended March 31, 2018, and has accumulated \$32,586,327 of losses as at March 31, 2018. 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 condensed consolidated interim financial statements in conformity with IAS 34 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. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2017 annual consolidated financial statements, however, due

# Ventripoint Diagnostics Ltd.

Notes to the Consolidated Financial Statements

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to the time required and the cost of building individual binomial models to value each warrant issuance and transaction, quarterly financial statements are prepared with derivative values estimated using the Black-Scholes model as a proxy for binomial models. Annual statements are prepared with binomial models and adjusted accordingly. The 2017 comparable quarterly statements have been restated to reflect the audit adjustments made during the 2017 annual audit, arising from the difference between the valuation estimates using the Black-Scholes model and the Binomial models. These valuation adjustments, related to the Private Placement and Debenture retirements, resulted in a net increase to Share Capital of \$134,919, an increase in the gain due to repayment of debentures in the Shares for Debt Private Placement (Notes 6(b) and 8) of \$76,621, and a net reduction in the Derivative Liability balance of \$211,540.

### 3. Accounts receivable

	March 31, 2018	December 31, 2017
Goods and services taxes receivable	15,795	99,809
<b>Total</b>	<b>\$ 15,795</b>	<b>\$ 99,809</b>

### 4. Accounts payable

	March 31, 2018	December 31, 2017
Trade and other payables	\$ 665,594	\$ 678,134
Accrued liabilities	498,371	474,232
<b>Total</b>	<b>\$ 1,163,965</b>	<b>\$ 1,152,366</b>

Accrued liabilities include \$364,620 (December 31, 2017 - \$364,620) of accrued but unpaid compensation payable to the Company's CEO.

### 5. Property and equipment

<i>Cost:</i>		
<b>Balance December 31, 2016</b>		<b>\$ 244,508</b>
Additions		39,047
Disposals		(87,936)
<b>Balance, December 31, 2017</b>		<b>195,619</b>
Additions		5,416
Disposals		(19,874)
<b>Balance, March 31, 2018</b>		<b>\$181,161</b>
<i>Accumulated depreciation:</i>		
<b>Balance, December 31, 2016</b>		<b>\$ (220,350)</b>
Depreciation		(12,714)
Disposals		87,360
<b>Balance, December 31, 2017</b>		<b>(145,704)</b>
Depreciation		6,202
Disposals		(19,874)
<b>Balance, March 31, 2018</b>		<b>\$132,032</b>
<b>Net carrying amounts:</b>		
December 31, 2017		\$ 49,915
March 31, 2018		\$ 49,129

# Ventripoint Diagnostics Ltd.

## Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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### 6. Debentures payable

As at December 31, 2017 the debentures payable were fully paid out. The changes in the debenture balances during the quarter ended March 31, 2018 and year ended December 31, 2017 consist of:

<b>Balance, December 31, 2016</b>	<b>\$ 597,122</b>
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
<b>Balance, December 31, 2017</b>	<b>\$ -</b>
	-
<b>Balance, March 31, 2018</b>	<b>\$ -</b>

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 7. All outstanding warrants and debenture conversion features were treated as derivative financial liabilities due to either an acceleration clause (Note 6(b) and Note 7) or a down round clause (Note 6(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.

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.

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 6(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 6(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.



# Ventripoint Diagnostics Ltd.

Notes to the Consolidated Financial Statements

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Amounts in Canadian Dollars unless otherwise stated

## (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 6(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:

	<b>August Amended Debentures</b>		<b>October Amended Debentures</b>	
	<b>Warrants</b>	<b>Conversion Feature</b>	<b>Warrants</b>	<b>Conversion Feature</b>
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 2016 loss.

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.

The remaining \$504,000 of the Amended Debentures were repaid in a shares for debt transaction which closed on March 21, 2017 (see Note 8). 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 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:

Holder of \$115,000 of the October Tranche Convertible Debentures (6(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.

# Ventripoint Diagnostics Ltd.

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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:

	<b>Conversion</b>
Exercise price	\$0.15
Time to maturity	2
Risk-free rate	0.52%
Volatility	119.50%
Dividend rate	nil

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.

## 7. 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 the 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.

The following table summarizes the changes in Derivative Liabilities during the quarter ended March 31, 2018 and the year ended December 31, 2017:

<b>Balance, December 31, 2016</b>	<b>\$ 742,808</b>
Warrants issued with sale of shares (Note 8)	3,359,020
Warrants issued with Shares for Debt transaction (Note 6(b), 8)	504,000
Conversion of convertible debentures (Note 6(c))	(304,105)
Warrant exercises	(1,918,455)
Repayment of convertible debentures with Shares for Debt (Note 6(b))	(214,189)
Repayment of convertible debentures with cash (Note 6(b))	(27,409)
Derivative revaluation adjustment	42,161
<b>Balance, December 31, 2017</b>	<b>\$ 2,183,831</b>
Warrant exercises	(100,660)
Derivative revaluation adjustment	(867,911)
<b>Balance, March 31, 2018</b>	<b>\$ 1,215,260</b>

### *Warrant Transactions – 2018*

During the first quarter of 2018, the Company's warrant holders elected to exercise a total of 760,000 warrants at an exercise price of \$0.30 per common share. The proceeds to the Company from these warrant exercises totalled \$228,000 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 recorded as the total of the cash exercise price plus the Warrant value of \$100,660, which was determined using a Black-Scholes pricing model (see Note 2(d)) at assumptions which varied with each warrant exercise.

# Ventripoint Diagnostics Ltd.

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Amounts in Canadian Dollars unless otherwise stated

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## *Warrant Transactions – 2017*

### *Private Placement*

As part of a Private Placement on March 23, 2017 (Note 8) 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 share for a period of two years from the date of issuance. The Finder's Warrants were valued at \$123,533 using a Binomial pricing model with assumptions outlined below.

	<u>Warrants</u>	<u>Finder's Warrants</u>
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

### *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 6(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.

	<u>Warrants</u>
Exercise price	\$0.50
Time to maturity	2
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 totaled \$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.

# Ventripoint Diagnostics Ltd.

Notes to the Consolidated Financial Statements

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Amounts in Canadian Dollars unless otherwise stated

## *Warrants outstanding*

Changes in the number of warrants outstanding during the three months ended March 31, 2018 and the year ended December 31, 2017 were as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>
<b>Balance, January 1</b>	19,321,766	\$0.44	13,171,403	\$0.30
Granted	-	-	12,354,493	\$0.50
Expired	-	-	(300,000)	\$1.10
Exercised	(760,000)	\$0.30	(5,904,130)	\$0.21
<b>Balance, period end</b>	<b>18,561,766</b>	<b>\$0.45</b>	<b>19,321,766</b>	<b>\$0.44</b>

The following table reflects warrants outstanding, all of which are exercisable, at March 31, 2018:

<b>Exercise Price</b>	<b>Quantity</b>	<b>Remaining avg contractual life</b>
\$0.15	165,000	0.56
\$0.30	2,596,667	0.70
\$0.40	3,445,606	0.87
\$0.50	12,354,493	0.98
<b>\$0.45</b>	<b>18,561,766</b>	<b>0.92</b>

The fair value of the warrants and conversion features at the dates of the statement of financial position of re-measurement for March 31, 2018 and December 31, 2017 were valued using either a Binomial model or a Black-Scholes model with the following weighted average assumptions:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Time to maturity	0.88	1.15
Risk-free rate	1.79%	1.66%
Volatility	93.17%	111.14%
Dividend rate	nil	nil

## **8. 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 transaction – three months ended March 31, 2018*

#### *Warrant Exercises*

During the first quarter of 2018, the Company issued a total of 760,000 common shares due to the exercise of warrants at an exercise price of \$0.30 per common share for total proceeds to the Company of \$228,000 in cash. The common shares issued due to these warrant exercises are free-trading. The common shares issued are recorded as the total of the cash proceeds plus the Warrant value of \$100,660, for a total increase to Share Capital of \$328,660.

#### *Stock Option Exercises*

In the first quarter of 2018, 250,000 shares were issued as a result of the exercise of stock options for proceeds of \$52,500. Common shares issued were recorded at a value of \$93,954.

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## *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 7.

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 7.

### *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 6(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.

### *Convertible Debenture Conversions*

In March, 2017 holders of the Amended Conversion Convertible Debentures (Note 6(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 7). 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.

## **Weighted average number of shares**

The weighted average number of shares for the three month period March 31, 2018 was 52,359,295 (March 31, 2017 – 34,121,458). 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 finders share purchase warrants prior to exercise. Deficit is used to record the Company's change in deficit from earnings from year to year.

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## **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 – three months ended March 31, 2018***

#### *Stock option grants*

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.

#### *Stock option exercises*

The Company issued 250,000 common shares as a result of the exercise of stock options for proceeds of \$52,500. Common shares issued were recorded at a value of \$93,954.

### ***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.

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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 options outstanding

Changes in the number of options outstanding during the three months ended March 31, 2018 and the year ended December 31, 2017 were as follows:

	Quarter ended March 31, 2018		Year ended December 31, 2017	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
<b>Balance, January 1</b>	3,389,400	\$0.38	1,106,400	\$0.73
Granted	220,000	\$0.30	3,015,000	\$0.30
Exercised	(250,000)	\$0.21	(425,000)	\$0.16
Cancelled /expired	(416,667)	\$0.32	(307,000)	\$1.21
<b>Balance, Period end</b>	<b>2,942,733</b>	<b>\$0.40</b>	<b>3,389,400</b>	<b>\$0.38</b>

The following table reflects stock options outstanding and exercisable at March 31, 2018:

Grant Price Range	Options Outstanding			Options Exercisable		
	# of Options	Weighted avg remaining life	Weighted avg exercise price	# of Options	Weighted avg remaining life	Weighted avg exercise price
≤ \$0.25	195,000	5.99	\$0.22	84,999	7.64	\$0.19
≤ \$0.32	2,358,733	3.67	\$0.32	1,389,983	3.37	\$0.32
\$0.33 - \$1.25	389,000	1.41	\$0.95	389,000	1.41	\$0.95
	<b>2,942,733</b>	<b>3.52</b>	<b>\$0.40</b>	<b>1,863,982</b>	<b>3.16</b>	<b>\$0.45</b>

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:

	March 31, 2018	March 31, 2017
Expected option life	4.4 years	4.4 years
Risk-free rate	1.53%	1.12%
Expected forfeiture rate	6.00%	6.00%
Expected volatility	173.30%	135.41%
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.

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## 9. Personnel costs

Personnel costs for the three month periods ended March 31, 2018 and March 31, 2017 were as follows:

	2018	2017
Salaries, fees and short-term benefits	\$ 443,552	\$ 93,738
Share-based compensation	127,571	9,139
<b>Total</b>	<b>\$ 571,123</b>	<b>\$ 102,877</b>

## 10. Contractual commitments

The Company has the following contractual obligations as of March 31, 2018:

	2018	2019	2020	2021-2027	Total
Premises lease	\$33,340	\$45,575	\$46,799	\$84,727	\$210,441
University of Washington Technology License					
Minimum Annual Royalty	-	6,320	6,320	44,240	56,880
<b>Total contractual commitments for the period</b>	<b>\$33,340</b>	<b>\$51,895</b>	<b>\$53,119</b>	<b>\$128,967</b>	<b>\$267,321</b>

The annual Royalty due to the University of Washington under the Technology License Agreement is the higher of 3% of gross sales or the Minimum Annual Royalty of US\$5,000.

In October, 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 for financial statement purposes.

## 11. 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 three month periods ended March 31, 2018 and 2017 was as follows:

	2018	2017
Salaries, fees and short-term benefits	\$155,920	\$88,980
Share-based compensation	18,747	955
Directors' fees	26,649	9,728
Debenture interest	-	2,630
<b>Total key management personnel expenses</b>	<b>\$201,316</b>	<b>\$102,294</b>

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 March 31, 2018 the key management personnel control 3.3% of the outstanding voting shares of the Company (6.87% on a fully diluted basis).

## 12. 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.



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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 March 31, 2018 and December 31, 2017 was:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Cash and equivalents	\$932,805	\$ 1,358,923

### *(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.

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 March 31, 2018:

	<u>2018</u>				<b>Total</b>
	<b>Q1</b>	<b>Q2 - Q4</b>	<b>2019</b>	<b>2020-2022</b>	
Accounts payable & accrued liabilities	\$1,151,251	122	2,865	9,727	\$1,163,965
<b>Total</b>	\$1,151,251	122	2,865	9,727	\$1,163,965

The contractual maturities of commitments at period end are included in Note 10.

### *(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.

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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 \$7,230 for the quarter ended March 31, 2018 (2017 - \$8,377). 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 March 31, 2018 and December 31, 2017 as follows:

	<u>2018 US\$</u>	<u>2017 US\$</u>
Cash and equivalents	\$ 81,204	\$ 145,231
Accounts receivable	-	-
Accounts payable and accrued liabilities	<u>494,270</u>	<u>521,472</u>
Total	\$ 575,474	\$ 666,703

### 13. Subsequent events

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.

Subsequent to March 31, 2018 the Company has issued 1,446,667 common shares due to the exercise of warrants at an exercise price of \$0.30, for total cash proceeds received of \$434,000. In addition, 200,000 shares have been issued as a result of the exercise of stock options for proceeds of \$64,000. The common shares issued for these warrant and stock option exercises are free-trading.