Financial Statements
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Years ended December 31, 2017 and 2016

KANE BIOTECH

MANAGEMENT REPORT

The accompanying financial statements have been prepared by management and approved by the board of directors of Kane Biotech Inc. (the "Company"). Management is responsible for the information and representations contained in these financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in note 3 to these financial statements. The Company maintains a system of internal control and appropriate processes to provide reasonable assurance that assets are safeguarded and to ensure that relevant and reliable financial information is produced.

The board of directors is responsible for reviewing and approving these financial statements and overseeing management's performance of its financial reporting responsibilities. An audit committee of three directors is appointed by the board. The audit committee reviews the financial statements, audit process and financial reporting with management and with the external auditors and reports to the board of directors prior to the approval of the audited financial statements for publication.

MNP LLP, the Company's external auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on these financial statements. Their report follows.

/s/ Mark Ahrens-Townsend

Mr. Mark Ahrens-Townsend
President & Chief Executive Officer

/s/ Ray Dupuis

Mr. Ray Dupuis
Chief Financial Officer

March 21, 2018

Independent Auditors' Report

To the Shareholders of Kane Biotech Inc.:

We have audited the accompanying financial statements of Kane Biotech Inc., which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive loss, changes in equity and cash flows for the years 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 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kane Biotech Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(c) in the financial statements which indicates that Kane Biotech Inc. has experienced operating losses and cash outflows since incorporation, has a deficit of $20,053,021 and has not yet achieved profitability from the commercialization of its technologies and products. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty that may cast significant doubt about Kane Biotech Inc.'s ability to continue as a going concern.

Winnipeg, Manitoba

MNP LLP

March 21, 2018

Chartered Professional Accountants

KANE BIOTECH INC.
Statement of Financial Position

	Note		December 31, 2017		December 31, 2016
Assets					
Current assets:					
Cash and cash equivalents		$	1,975,723	$	739,568
Trade and other receivables	4		118,399		71,873
Inventory	5		135,158		213,714
Other current assets			20,942		60,192
Total current assets			2,250,222		1,085,347
Non-current assets:					
Property and equipment	6		60,279		63,090
Intangible assets	7		1,086,586		982,774
Total non-current assets			1,146,865		1,045,864
Total assets		$	3,397,087	$	2,131,211
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	8	$	659,035	$	303,720
Current portion of convertible note	10		-		479,996
Total current liabilities			659,035		783,716
Shareholders' Equity					
Share capital	11(b)	$	17,683,418	$	15,031,823
Contributed surplus			3,734,904		3,504,384
Warrants	11(d)		1,372,751		48,165
Convertible note option	10		-		29,970
Deficit			(20,053,021)		(17,266,847)
Total			2,738,052		1,347,495
Total liabilities and equity		$	3,397,087	$	2,131,211

The notes on pages 5 to 27 are an integral part of these financial statements

KANE BIOTECH INC.
Statement of Comprehensive Loss

	Note		Year ended December 31, 2017		Year ended December 31, 2016
Revenue					
License & Royalty		$	688,231	$	135,134
Sale of goods			347,071		244,756
Total Revenue			1,035,302		379,890
Cost of sales-sale of goods	5		122,403	$	124,225
					-
Gross Profit			912,899		255,665
Expenses					
General and administration			2,757,279		2,116,764
Research	7		850,578		573,423
			3,607,857		2,690,187
Loss from operations			(2,694,958)		(2,434,522)
Finance costs (income):					
Finance income			(15,888)		(9,387)
Finance costs			90,758		120,517
Foreign exchange loss			16,346		3,096
Net finance costs			91,216		114,226
Loss and comprehensive loss for the period		$	(2,786,174)	$	(2,548,748)
Basic and diluted loss per share for the period	11(e)	$	(0.05)	$	(0.07)

The notes on pages 5 to 27 are an integral part of these financial statements

KANE BIOTECH INC.
Statement of Changes in Equity
Years ended December 31, 2017 and 2016

	Note	Share Capital	Contributed Surplus	Warrants	Convertible Note Option	Deficit	Total
Balance December 31, 2015		$ 11,708,244	$ 3,305,213	$ 154,918	$ 29,970	$ (14,718,099)	$ 480,246
Loss and comprehensive loss for the year						(2,548,748)	(2,548,748)
Transactions with owners, recorded directly in equity							
Issue of common shares	11(b)	3,010,972	-	-	-	-	3,010,972
Share based payments	11(c)	-	112,550	-	-	-	112,550
Warrants granted	11(d)	-	-	23,038	-	-	23,038
Warrants exercised	11(d)	312,607	-	(43,170)	-	-	269,437
Warrants expired	11(d)	-	86,621	(86,621)	-	-	-
Total transactions with owners		3,323,579	199,171	(106,753)	-	-	3,415,997
Balance December 31, 2016		$ 15,031,823	$ 3,504,384	$ 48,165	$ 29,970	$ (17,266,847)	$ 1,347,495
Loss and comprehensive loss for the period						(2,786,174)	(2,786,174)
Transactions with owners, recorded directly in equity							
Issue of common shares	11(b)	2,651,595	-	-	-	-	2,651,595
Expiration of convertible note	10		29,970		(29,970)		-
Share based payments	11(c)	-	151,895	-	-	-	151,895
Warrants granted	11(d)			1,373,241		-	1,373,241
Warrants expired	11(d)	-	48,655	(48,655)		-	-
Total transactions with owners		2,651,595	230,520	1,324,586	(29,970)	-	4,176,731
Balance December 31, 2017		$ 17,683,418	$ 3,734,905	$ 1,372,751	$ -	$ (20,053,021)	$ 2,738,052

The notes on pages 5 to 27 are an integral part of these financial statements.

KANE BIOTECH INC.
Statement of Cash Flows

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash provided by (used in):			
Operating activities:			
Loss and comprehensive loss for the period		$ **(2,786,174)**	$ (2,548,748)
Adjustments for:			
Depreciation of property and equipment	6	**16,080**	13,729
Amortization of intangible assets	7	**53,305**	35,255
Derecognition of intangible assets	7	**59,250**	-
Accretion on convertible note	10	**34,802**	92,182
Share based compensation	11	**151,895**	112,550
Change in the following:			
Trade and other receivables	4	**(46,526)**	62,954
Inventory	5	**78,556**	(149,987)
Other current assets		**39,250**	(30,760)
Accounts payable and accrued liabilities	8	**355,315**	49,506
Cashed used in operating activities		**(2,044,247)**	(2,363,319)
Financing activities:			
Issuance of common shares and warrants, net of share issuance costs	11	**4,024,836**	2,960,137
Repayment of convertible note and loan	10,18	**(514,798)**	-
Issuance of short-term note	10,18	**400,000**	
Repayment of short-term note	10,18	**(400,000)**	
Warrants granted			23,038
Warrants exercised	11		269,437
Cash provided by financing acivities:		**3,510,038**	3,252,612
Investing activities:			
Purchase of property and equipment	7	**(13,269)**	(37,055)
Additions to intangible assets	7	**(216,367)**	(228,980)
Cash used in investing acivities:		**(229,636)**	(266,035)
Increase (decrease) in cash		**1,236,155**	623,258
Cash, beginning of period		**739,568**	116,310
Cash, end of period		$ **1,975,723**	$ 739,568
Supplemental cash flow information:			
Non-cash financing activities:			
Warrants issued in lieu of loan guarantee fee payment		$ **28,492**	$ -
Shares issued in lieu of cash for interest payment		$ **12,439**	$ 50,835

The notes on pages 5 to 27 are an integral part of these financial statements.

1. Reporting entity:

Kane Biotech Inc. (the "Company") is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. The Company is domiciled and incorporated in Canada. Its registered office is 162-196 Innovation Drive, Winnipeg, Manitoba, Canada.

2. Basis of preparation of financial statements:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on March 21, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments at fair value at the issue date
- equity settled share-based payment awards are measured at fair value at the grant date

(c) Going concern

These financial statements have been prepared using IFRSs that are applicable to a going concern, which contemplates that Kane Biotech Inc. will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its technologies and products.

The Company's future operations are completely dependent upon its ability to negotiate collaboration or licence agreements with upfront and milestone payments as well as royalties, generate product sales, obtain grant funding and/or secure additional funds. While the Company is striving to achieve the above plans, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot negotiate collaboration or licence agreements, generate product sales, obtain grant funding, or if it cannot secure additional financing on terms that would be acceptable to it, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

These financial statements do not reflect adjustments in the carrying values of the Company’s assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

2. Basis of preparation of financial statements (continued):

(e) Use of estimates and judgments

The preparation of these financial statements in conformity with IFRSs 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial years are included in the following notes:

- Note 3(c)(iv) Convertible note
- Note 3(f)(i) Research and development costs
- Note 3(f)(ii) Patents and trademarks
- Note 3(f)(iii) Technology licenses
- Note 3(g)(ii) Impairment of non-financial assets
- Note 3(h)(ii) and Note 16 Share-based payment transactions

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to the 2017 annual audited financial statements unless otherwise indicated.

(a) Revenue recognition

Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

Licensing and royalty revenue is recognized when contractually earned.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes trade and other receivables and other current assets on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Company classifies loans and receivables as non-derivative financial assets. The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

3. Significant accounting policies (continued):

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(iii) Non-derivative financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities which are classified as other financial liabilities: accounts payable and accrued liabilities.

(iv) Convertible note

The proceeds received on the issuance of the Company's convertible redeemable note and detachable warrants are allocated into their liability and equity components. The amount initially attributed to the debt component is equal to the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert or detachable warrants. It is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to an equity component. The value of the equity component is allocated between the conversion option and the detachable warrants using the fair value determined at the date of measurement using the Black Scholes option pricing model on a pro-rata basis. The conversion option is recognized in the "Convertible note option" within shareholders' equity, net of income tax effects and the detachable warrants are classified in “Warrants” within shareholders’ equity, net of income tax effects. Incremental costs directly attributable to the issue of convertible debt are recognized as a deduction from the liability and equity components, net of any tax effects.

(v) Share capital

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

(vi) Warrants

Warrants are classified as equity. Incremental costs directly attributable to the exercise of warrants and related issue of common voting shares are recognized as a deduction from equity, net of any tax effects.

(d) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified and written down to net realizable values.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. 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. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive loss in the period in which they are incurred.

3. Significant accounting policies (continued):

(ii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives and depreciation method for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and office equipment	Diminishing balance	20-30%
Scientific and manufacturing equipment	Diminishing balance	20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Intangible assets

(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 to produce new or substantially improved products and processes. Development expenditure is 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. No development costs have been capitalized to date.

(ii) Patents and trademarks

Costs incurred in obtaining a patent are capitalized and are amortized on a straight-line basis over the legal life of the respective patent once the patent has been issued. Trademarks have an indefinite life and are not amortized. Costs incurred in successfully obtaining a patent or trademark are measured at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's patents and trademarks is expensed as incurred.

(iii) Technology licenses

Technology licenses are recorded at cost less accumulated impairment losses. The cost of technology licences will be amortized over their estimated useful life commencing in the period in which the product is commercially launched, and sales of the licensed products are first earned.

(iv) Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

3. Significant accounting policies (continued):

(g) Impairment

(i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

If such evidence exists, the Company recognizes an impairment loss for financial assets. The carrying amount of the asset is reduced by this amount either directly or indirectly using an allowance account.

(ii) Non-financial assets

The carrying amount of long-lived non-financial assets, including intangible assets and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually.

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions about future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used to evaluate the underlying assets could result in a material change to the results of operations.

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, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs because of impairment are recognized in research expense in the statement of comprehensive loss.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, 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 do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

3. Significant accounting policies (continued):

(i) Government grants

Grants are recognized in profit or loss as deductions from the related expenditures when the grants become receivable. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise accretion expense on borrowings which are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized to date.

Refundable scientific research and development tax credits, which are earned on qualifying research and development expenditures, are recorded as a reduction of the related expense when there is reasonable assurance that they will be realized. Non-refundable scientific research and development tax credits, which are also earned on qualifying research and development expenditures, are not recorded in the financial statements and are summarized in Note 9(d).

(l) Earnings (loss) per share

The Company presents basic earnings per share (EPS) data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Common voting share equivalents have been excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

(m) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective up to the date of issuance of the Company’s financial statements are listed below. The Company is assessing the impact of these pronouncements on its results and financial position. The Company intends to adopt those standards when they become effective.

3. Significant accounting policies (continued):

IFRS 2 Share-based Payment

Amendments to IFRS 2, Shared-based Payment, were issued in June 2016 and are effective for the company beginning on January 1, 2018. The amendments to IFRS 2 clarify the accounting requirements for certain share-based payment transactions. The Company does not expect the implementation of those changes to have a material impact on its financial statements.

IFRS 9 Financial Instruments

IFRS 9-Financial instruments replaces IAS 39-Financial instruments and includes requirements for recognition and measurement, impairment and derecognition of financial instruments and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. Currently, the Company does not expect the implementation of IFRS 9 to have a significant impact on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15-Revenue from contracts with Customers replaces IAS 11-Construction Contracts and IAS 18-Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts, excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has assessed the impact on its financial statements of adopting the new standard. It has concluded that revenue recognized from customer contract deliverables that have been met to date would have been the same under IFRS 15 as it was under IAS 18. Revenue recognition for all future deliverables on existing customer contracts and on any new customer contracts will be evaluated based on the new standard requirements

IFRS 16 Leases

IFRS 16-Leases replaces IAS 17-Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operation and financing leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Currently, the Company does not expect the implementation of IFRS 16 to have a significant impact on its financial statements.

4. Trade and other receivables:

	December 31, 2017	December 31, 2016
Trade receivables	**$ 88,911**	$ 49,419
Other receivables	**29,488**	22,454
	$ 118,399	$ 71,873

5. Inventory:

		December 31, 2017	December 31, 2016
Raw materials	$	**97,886**	$ 167,235
Work-in-progress		**775**	1,963
Finished goods		**36,497**	44,516
	$	**135,158**	$ 213,714

The cost of inventories recognized as an expense and included in cost of sales for 2017 was $78,952 (2016-$87,633).

6. Property and equipment:

The following is a summary of property and equipment as at December 31, 2017:

Cost		Computer and Office Equipment		Scientific Equipment		Total
Balance December 31, 2015	$	24,451	$	146,289	$	170,740
Additions - 2016		13,724		23,332		37,056
Balance December 31, 2016	$	38,175	$	169,621	$	207,796
Additions - 2017		-		13,269		13,269
Balance December 31, 2017	$	38,175	$	182,890	$	221,065

Depreciation and impairment losses		Computer and Office Equipment		Scientific Equipment		Total
Balance December 31, 2015	$	10,140	$	120,836	$	130,976
Additions - 2016		6,305		7,425		13,730
Balance December 31, 2016	$	16,445	$	128,261	$	144,706
Additions - 2017		6,481		9,599		16,080
Balance December 31, 2017	$	22,926	$	137,860	$	160,786

Carrying amounts	Computer and Office Equipment	Scientific Equipment	Total
Balance December 31, 2015	14,311	25,453	39,764
Balance December 31, 2016	21,730	41,360	63,090
Balance December 31, 2017	15,249	45,030	60,279

7. Intangible assets:

The following is a summary of intangible assets as at December 31, 2017:

Cost		Patents		Trademarks		Technology Licenses		Total
Balance December 31, 2015	$	834,417	$	43,704	$	30,551	$	908,672
Additions - 2016		204,093		24,887		-		228,980
Balance December 31, 2016	$	1,038,510	$	68,591	$	30,551	$	1,137,652
Additions - 2017		197,715		18,652		-		216,367
Balance December 31, 2017	$	1,236,225	$	87,243	$	30,551	$	1,354,019

Accumulated amortization and derecognition		Patents		Trademarks		Technology Licenses		Total
Balance December 31, 2015	$	119,623	$	-	$	-	$	119,623
Amortization - 2016		35,255		-		-		35,255
Balance December 31, 2016	$	154,878	$	-	$	-	$	154,878
Amortization - 2017		53,305						53,305
Change due to derecognition		10,563		18,136		30,551		59,250
Balance December 31, 2017	$	218,746	$	18,136	$	30,551	$	267,433

Carrying amounts	Patents	Trademarks	Technology Licenses	Total
Balance December 31, 2015	714,794	43,704	30,551	789,049
Balance December 31, 2016	883,632	68,591	30,551	982,774
Balance December 31, 2017	1,017,479	69,107	-	1,086,586

The Company has considered indicators of impairment as of December 31, 2017. To December 31, 2017, the Company has recorded aggregate impairment losses of $940,740, primarily resulting from patent applications not pursued.

Amortization and derecognition expenses are recognized in research expense.

8. Accounts payable and accrued liabilities:

		December 31, 2017		December 31, 2016
Trade payables	$	224,216	$	135,922
Non-trade payables and accrued expenses		434,819		167,798
	$	659,035	$	303,720

9. Income Tax

(a) Income tax provision

The reconciliation of the income tax provision using statutory income tax rates prevailing in Canada with the income tax expense reported in the financial statements is as follows:

		2017		2016
Canadian federal and provincial income taxes at 27% (2016 - 27%)	$	(752,267)	$	(688,162)
Change in unrecognized deductible temporary differences and unused tax losses		704,331		669,029
Permanent differences and other		47,936		19,133
	$	-	$	-

The Company recognized no income taxes in the statement of comprehensive loss as it has been incurring losses since inception.

(b) Unrecognized deferred tax assets:

Deferred tax asset based on temporary differences not recognized were as follows:

		2017		2016
Tax losses	$	4,086,251	$	3,410,689
Scientific research and experimental development costs		719,630		668,042
Financing costs		61,596		37,256
Other		-		146
	$	4,867,477	$	4,116,133

Given the Company's past losses, management does not believe that it is more probable than not that the Company can utilize its deferred tax assets and therefore it has not recognized any amount in the statement of financial position.

9. Income Tax (continued):

(c) Deferred tax liabilities:

Deferred tax liabilities were as follows:

		2017		2016
Intangible assets	**$**	**141,146**	$	122,765
Property and equipment		**6,340**		6,938
Convertible note		**-**		4,896
Other		**48,479**		40,951
	$	**195,965**	$	175,550

The deferred tax liability for temporary differences of $725,796 (2016 - $650,187) have been offset by sufficient deductible temporary differences (SR&ED costs) from (b) above which are available to reverse in the same period as the taxable temporary differences.

(d) The Company has the following available for application in future years:

		2017		2016
Unutilized scientific research and development expenditures without time limitation	**$**	**2,665,296**	$	2,474,231
Unutilized non-capital loss carried forward balances expiring:				
2026	**$**	**767,228**	$	767,228
2027		**846,139**		846,139
2028		**851,022**		851,022
2029		**843,989**		843,989
2030		**810,574**		810,574
2031		**975,188**		975,188
2032		**1,222,411**		1,222,411
2033		**1,062,842**		1,062,842
2034		**1,295,259**		1,295,259
2035		**1,573,354**		1,573,354
2036		**2,384,174**		2,384,174
2037		**2,502,085**		-
	$	**15,134,265**	$	12,632,180

9. Income Tax (continued):

	2017	2016
Unutilized scientific research and development tax credits		
2020	**5,567**	5,567
2021	**339**	339
2022	**958**	958
2023	**4,105**	4,105
2024	**47,104**	47,104
2025	**71,115**	71,115
2026	**154,908**	154,908
2027	**91,412**	91,412
2028	**180,498**	180,498
2029	**116,161**	116,161
2030	**134,256**	134,256
2031	**105,143**	105,143
2032	**118,519**	118,519
2033	**115,359**	115,359
2034	**48,373**	48,373
2035	**33,789**	33,789
2036	**49,400**	49,400
2037	**70,292**	-
	$ 1,347,298	$ 1,277,006

10. Convertible note and loan:

On December 18, 2013 the Company closed a private placement offering of a $500,000 principal, 2-year, 10% convertible redeemable unsecured note (the “Note”) and 4,000,000 share purchase warrants (“Warrants”) for gross proceeds of $500,000. The Note can be converted at any time into common shares at the holder's option at the rate of $0.15 per share. The Note is also redeemable at any time at the option of the Company at an amount equal to the face value of the Note, plus all accrued and unpaid interest, subject to the right of the holder to convert the Note into common shares of the Company prior to redemption. The Company may elect to pay the interest on the Note or the redemption price of the Note in common shares, in lieu of cash, at the market price of the common shares on such interest payment or redemption due date.

Each Warrant entitles the holder to purchase one common voting share at a price of $0.095 for a period of 2 years.

At the time of issuance, the present value of the liability component of the convertible promissory note based on an estimated market interest rate of 18% was $425,566.

On December 18, 2015 the Company entered into an agreement to (a) extend the maturity date from December 18, 2015 to June 18, 2017 and (b) change the price at which such Note may be convertible into common shares of the Company from $0.15 per common share to $0.10 (pre-5 to 1 consolidation) per common share. All other terms of the Note remain the same. The Company also entered in an agreement to extend the time during which the 4,000,000 of its previously issued Warrants to purchase common shares may be exercised from December 18, 2015 to June 18, 2017. All other terms of the Warrants

10. Convertible note and loan (continued):

remain the same, including the exercise prices of $0.095 (pre-5 to 1 consolidation) per common share.

At the time of issuance of the new note the present value of the liability component of the convertible promissory note based on a market interest rate of 18% was $443,830.

On June 23, 2017 the Company entered into an agreement for a $400,000 short term loan to bridge its cash needs for operations until its $4,008,599 private placement offering initially closed on July 17, 2017.

On July 21, 2017 the Company paid off all its outstanding debt which included the $500,000 convertible note and $400,000 bridge loan.

The following is a summary of the convertible note as at December 31, 2017:

	Proceeds	Convertible Note	Conversion Option	Warrants
Balance December 18, 2015	$ 464,229	$ 500,000	$ 25,530	$ 43,579
Note expiration Deccember 18, 2015	(464,229)	(500,000)	(25,530)	(43,579)
Note extension issued December 18, 2015	500,000	443,830	30,553	25,617
Issuance costs	(9,543)	(8,471)	(583)	(489)
Accretion	-	3,290	-	-
Balance December 31, 2015	$ 490,457	$ 438,649	$ 29,970	$ 25,128
Interest payment	-	(50,836)	-	-
Accretion	-	92,183	-	-
Balance December 31, 2016	$ 490,457	$ 479,996	$ 29,970	$ 25,128
Note expiration Jun 18, 2017	(490,457)	-	(29,970)	(25,128)
Accretion and interest	-	34,802	-	-
Interest payment June 21, 2017	-	(14,798)	-	-
Repayment of convertible note	-	(500,000)	-	-
Balance December 31, 2017	$ -	$ -	$ -	$ -

11. Share capital:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares, an unlimited number of class A common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, and the directors may fix prior to each series issued, the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

11. Share capital (continued):

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Voting Shares		Amount
Balance December 31, 2015	119,032,152	$	11,708,244
Exercise of warrants	4,500,000		312,607
Issued in lieu of cash for interest, net of issue costs of $2,254	1,016,723		48,581
Issued in Rights Offering net of issue costs of $99,062	81,074,389		2,333,170
Issued in Private Placement Offering, net of issue costs of $31,324	22,018,158		629,221
Balance December 31, 2016	227,641,422	$	15,031,823
Share Consolidation - 5 to 1	(182,113,134)	$	-
Issued in lieu of cash for interest, net of costs of $562	80,251		11,877
Issued in Private Placement Offerings, net of issue costs and warrants of $1,553,118	34,504,997		2,639,718
Balance December 31, 2017	80,113,536		17,683,418

During the year ended December 31, 2017, the Company closed an aggregate private placement offering of units at a price of $0.12. At the closing, 34,504,997 units were issued for aggregate gross proceeds of $4,140,600. Issue costs associated with the transaction were $156,624 of which $103,777 was related to the issuance of common shares and $52,847 related to the share purchase warrants. Each Unit is comprised of one Common Share of the Company and one share purchase Warrant. Each Warrant will expire 18 months from the date the Warrant is issued and will entitle the holder to purchase one Common Share at a price of $0.18 up to the expiry date. The Shares and Warrants will be restricted from transfer for a period of four months from the issue date in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

Also, during the year ended December 31, 2017, the Company completed the consolidation of its issued and outstanding common shares based on one post-consolidation common share for every five pre-consolidation common shares (the “Consolidation”) resulting in a total of 45,528,288 common shares issued and outstanding following the Consolidation.

Also, during the period ended March 31, 2017 the Company elected to issue, in lieu of cash, 80,251 common shares in payment of $12,439 in interest owing on the Company’s convertible note (Note 10). Issue costs related with the transaction were $562.

During the year ended December 31, 2016, 4,500,000 (pre-5 to 1 consolidation) warrants from the 2014 private placement offering (the “2014 Offering”) were exercised for common shares for gross proceeds of $312,607 net of issuance costs of $564. During the year ended December 31, 2015 11,000,000 (pre-5 to 1 consolidation) warrants from the “2014 Offering” were exercised for common shares for gross proceeds of $659,249 net of issuance costs of $751.

Also, during the year ended December 31, 2016, the Company elected to issue, in lieu of cash, 1,016,723 (pre-5 to 1 consolidation) common shares in payment of $50,835 in interest owing on the Company’s convertible note. Issue costs associated with this transaction were $2,254. During the year ended December 31, 2015, the Company elected to issue, in lieu of cash 1,008,353 (pre-5 to 1 consolidation) common shares in payment of $50,418. Issue costs associated with this transaction were $1,577.

Also, during the year ended December 31, 2016, the Company issued 81,074,389 (pre-5 to 1 consolidation) common shares for aggregate gross proceeds of $2,432,232. Pursuant to the Rights Offering, the Company issued 74,191,277 (pre-5 to 1 consolidation) Common Shares under the basic subscription privilege and 6,883,112 (pre-5 to 1 consolidation) Common Shares under the additional subscription privilege. Issue costs associated with the transaction were $99,062.

11. Share capital (continued):

Also, during the year ended December 31, 2016, the Company closed a private placement offering of common shares at a price of $0.03 per Common Share. At the closing, 22,018,158 (pre-5 to 1 consolidation) Common Shares were issued for aggregate gross proceeds of $660,545. Issue costs associated with the transaction were $31,324.

(c) Stock option plan

The Company has an equity-settled Stock Option Plan ("Plan") in place for employees, directors, officers and consultants of the Company which is administered by the Board of Directors. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time. At December 31, 2017, an aggregate maximum of 8,011,354 (December 31, 2016 – 4,552,828) common share options are reserved for issuance under the Plan with 3,925,354 (December 31, 2016 – 1,297,328) of those common share options remaining available.

Share options issued to employees, directors and officers of the Company under the Plan expire five years from the grant date. The attributed exercise price of the grant per the Plan cannot be less than the closing price per common share on the date of the grant.

Effective on all stock options issued after October 1, 2015;

i) The exercise price shall, at a minimum, be equal to the fair market value of the Company's common stock on the grant date (TSXV share price);

ii) Each stock option shall vest in 3 equal annual installments, beginning on the grant date;

iii) The options shall expire 5 years from the date of issue;

iv) Grants to Executive officers shall be made by the Compensation Committee. Grants to staff shall be made by Authorized Officers (the CEO and CFO). The Authorized Officers may not approve any stock option awards exceeding 500,000 shares to any staff member. Non-Management Directors automatically receive a grant in the amount of the last previous grant to Management Directors. Management Directors are not eligible for Non-Management Directors stock option grants;

v) All exceptions must be approved by the Compensation Committee.

During the year ended December 31, 2017, the Company granted an aggregate of 1,615,000 stock options at an exercise price of $0.30 per common share to directors, management, and employees of the Company. In accordance with securities regulatory requirements, any shares issued pursuant to the exercise of such options will be subject to resale restriction for a period of four months from the date of the grant.

11. Share capital (continued):

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

	December 31, 2017			December 31, 2016		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Balance, beginning of period	3,255,500	**$**	**0.40**	1,504,500	$	0.55
Granted	1,615,000	**$**	**0.30**	2,051,000		0.35
Exercised	-		-	-		-
Forfeited, cancelled or expired	**(1,062,500)**	**$**	**0.42**	(300,000)		0.80
Balance, end of period	**3,808,000**	**$**	**0.34**	3,255,500	$	0.40
Options exercisable, end of period	**2,482,337**	**$**	**0.36**	3,255,500		
Weighted average fair value per unit of option granted during the period		**$**	**0.07**		$	0.15

Options outstanding at December 31, 2017 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life		Weighted average exercise price	Exercisable number
$0.25-$0.70	**3,808,000**	**3.29**	**$**	**0.34**	**2,482,337**

For the year ended December 31, 2017, the Company recorded share option compensation expense of $151,895 (December 31, 2016 $112,550) with a corresponding credit to contributed surplus. Share option compensation expense was based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Expected option life	5 years	5 years
Risk free interest rate	1.56%	0.72%
Expected volatility	86.92%	93.20%
Grant-date share price	$0.13	$0.20
Option exercise price	$0.30	$0.33

11. Share capital (continued):

For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. For awards subject to graded vesting, each instalment is treated as a separate award with separate fair value and a separate vesting period.

(d) Warrants

During the year ended December 31, 2017, the Company received a loan in the amount of $400,000 from an arm's length third-party lender. The Loan bears interest at 12% per annum and was repaid on July 21, 2017. Additional consideration for the loan guarantee was the issuance of 800,000 share purchase warrants at a price of $0.18 per common share for a period one year from the date of issuance of the warrants.

Also, during the year ended December 31, 2017, 250,000 warrants issued in March 29, 2016 and 800,000 warrants issued June 18, 2017 expired.

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

	December 31, 2017			December 31, 2016		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of year	**1,050,000**	**$ 48,165**	**$ 0.35**	3,500,000	$ 154,918	$ 0.35
Issued, pursuant to promissory note	**800,000**	**28,492**	**0.18**	250,000	23,038	0.25
Issued, pursuant to convertible debt	**-**	**-**	**-**	-	-	-
Issued, pursuant to private placement	**34,504,997**	**1,344,749**	**0.18**	-	-	-
Issued, pursuant to finder's fee	**-**	**-**	**-**	-	-	-
Exercised	**-**	**-**	**-**	(900,000)	(43,170)	0.30
Expired	**(1,050,000)**	**(48,655)**	**0.42**	(1,800,000)	(86,621)	0.30
Balance, end of period	**35,304,997**	**$ 1,372,751**	**$ 0.18**	1,050,000	$ 48,165	$ 0.35
Weighted average remaining contractual life			**1.04 years**			0.41 years

The relative fair value of warrants was determined at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Expected option life	1.5 years	1 years
Risk free interest rate	1.18%	0.51%
Expected volatility	105.32%	93.68%
Grant-date share price	$0.11	$0.25
Option exercise price	$0.18	$0.25

11. Share capital (continued):

(e) Per share amounts

The weighted average number of common voting shares outstanding for the period ended December 31, 2017 and 2016 was 61,283,204 and 37,678,555 respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

Basic and diluted loss per share for the comparative periods ended December 31, 2016 has been restated to reflect the 5 to 1 common share consolidation which took place during the period ended March 31, 2017.

12. Commitments and contingencies:

(a) Commitments

As at December 31, 2017 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

Contractual obligation payments due by fiscal year ending December 31:

	USD	CND
2018	$ 10,000	$ 34,011
2019	$ 10,000	$ -
2020	$ 10,000	$ -
2021	$ 10,000	$ -
2022	$ 10,000	$ -
	$ 50,000	$ 34,011

The Company has no planned capital commitments for the coming year.

The Company holds a worldwide exclusive right to Competence Stimulating Peptide (CSP) technology from the University of Toronto Innovations Foundation (UTIF). In consideration for the right, the Company will pay UTIF a royalty of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay UTIF a percentage of a sublicense fee or sublicense royalty fees. The Company does not expect to make royalty payments under this agreement in fiscal 2018 and cannot predict when such royalties will become payable, if at all.

Also, the Company holds a worldwide exclusive license to DispersinB® enzyme from the University of Medicine and Dentistry of New Jersey (UMDNJ), now part of Rutgers University (Rutgers). In consideration for the right, the Company will pay a royalty to Rutgers of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay Rutgers a percentage of a sublicense fee and/or sublicense royalty fees. A minimum royalty fee of $10,000 USD per annum is payable for the life of the license, with additional milestone payments possible throughout the term of the agreement.

12. Commitments and contingencies(continued):

(b) Guarantees

The Company periodically enters into research and licence agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred because of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

13. Government and other assistance:

During the period ended December 31, 2017, the Company received $235,430 (December 31, 2016 - $145,119) in government and other assistance for research and product market development. Government and other assistance has been recorded as a reduction to research and general and administrative expenses. No grants repayable have been recorded to date.

14. Related parties:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President & CEO and CFO are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan (Note 11(c)). The following table details the compensation paid to key management personnel:

		December 31, 2017		December 31, 2016
Salaries, fees and short-term employee benefits	**$**	**319,754**	$	280,138
Share-based payments		**82,273**		55,448
	$	**402,027**	$	335,586

(b) Key management personnel and director transactions

Directors and key management personnel control thirty-two percent of the voting shares of the Company.

15. Expenses by nature:

Expenses incurred for the year ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Personnel expenses		
Wages and salaries	$ 1,555,197	$ 1,172,526
Short-term benefits and insurance premiums	46,517	36,550
Share-based payments	151,895	112,550
	1,753,609	1,321,626
Depreciation, amortization and writedowns	128,635	48,984
Science consumables and contract research	508,407	276,793
Occupancy	149,247	135,598
License fees	30,016	13,447
Investor relations	99,358	212,743
Consulting	43,305	42,542
Marketing	506,462	476,773
Other	624,248	306,800
Less: Government assistance	(235,430)	(145,119)
	$ 3,607,857	$ 2,690,187

16. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values that have been determined for measurement and/or disclosure purposes based on certain models are indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

17. Financial risk management:

(a) Financial assets and liabilities:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The carrying values of current monetary assets and liabilities approximate their fair values due to their relatively short periods to maturity.

(b) Risks arising from financial instruments and risk management:

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. Risk management is the responsibility of the Company, which identifies, evaluates and, where appropriate, mitigates financial risks.

(i) Market risk:

(a) Foreign exchange risk:

The Company operates in Canada and has relationships with entities in other countries. Foreign exchange risk arises because the cost of transactions denominated in foreign currencies may vary due to changes in exchange rates.

Balances in foreign currencies at December 31, 2017 were approximately:

	U.S. Dollars
Cash and cash equivalents	$ 116,512
Trade and other receivables	57,882
Accounts payables and accrued liabilities	(141,813)
	$ 32,581

Fluctuations in the U.S. dollar exchange rates may potentially have a significant impact on the Company's results of operations.

(b) Interest rate risk:

The Company is exposed to interest rate risk to the extent that short-term deposits are at a floating short-term rate of interest and their market value will vary with the change in short-term market interest rates. The Company's maximum exposure to interest rate risk is based on the effective interest rate and the current carrying value of these assets.

There is a risk that future cash flows from invested cash, cash equivalents and short-term deposits will vary as the market interest rates fluctuate because these investments earn interest at market rates. Based on the December 31, 2017 balance of approximately $1,975,723, a variation of 100 basis points in the market interest rate would not affect the financial statements of comprehensive loss by a material amount. For the year ended December 31, 2017, the Company recorded interest income of $15,888 (2016 - $9,387) in relation to these assets.

17. Financial risk management (continued):

(ii) Credit risk:

The Company limits its exposure to credit risk by investing only in banks that have a strong credit rating. Trade and other receivables are subject to normal credit risk. The maximum exposure to credit risk is equal to the carrying value of the receivables. The Company regularly assesses the trade and other receivables and takes action to collect the amounts or provide adequate reserves against doubtful accounts. The Company currently has no reserve for doubtful accounts as there have been no bad debts to date.

(iii) Liquidity risk:

Liquidity risk is the risk that the current financial obligations exceed the cash available to satisfy those obligations at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements. The Company achieves this by primarily relying on private placement offerings of common shares and warrants.

The following table summarizes the Company's financial liabilities with corresponding maturity.

Liquidy Table

	Less than 1 Year	1-3 years	3-5 years	Total
Accounts payables and accrued liabilities	$ 659,035	-	-	$ 659,035
	$ 659,035	-	-	$ 659,035

(c) Capital management:

The Company's primary objective when managing capital, defined as shares and warrants, is to ensure that it has sufficient cash resources to fund its development and commercialization activities and to maintain its ongoing operations.

The capital at December 31, 2017 was $19,056,169 (2016 $15,079,988).

To fund its activities, the Company relies primarily on private placements of its common shares. To secure the additional capital the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital management strategy during the year ended December 31, 2017.

18. Changes in liabilities from financing activities

Changes in liabilities from financing activities during the year ended December 31, 2017 are as follows:

			Non-cash Changes			
				Foreign Exchange		
	January 1, 2017	Cash Flows	Acquisition	Movement	Accretion	December 31, 2017
Long-term Borrowings	479,996	(500,000)			20,004	-
Short-term Borrowings	-	-	-	-	-	-
Total Liabilities from Financing Activities	479,996	(500,000)	-	-	20,004	-