NeutriSci International Inc.

Consolidated Financial Statements
(Expressed in Canadian Dollars)

As at and for the years ended December 31, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
NeutriSci International Inc.

Opinion

We have audited the accompanying consolidated financial statements of NeutriSci International Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of $30,562,550 as at December 31, 2018. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 29, 2019

NeutriSci International Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at December 31,

		2018		2017
Assets				
Current Assets				
Cash	$	275,049	$	356,472
Accounts receivable		4,636		52,501
Due from related parties (Note 8)		-		13,325
Tax credits receivable		71,195		109,574
Inventory (Note 4)		117,194		59,988
Prepaid expenses		61,090		9,258
Total current assets		529,164		601,118
Equipment (Note 5)		24,382		-
Total Assets	$	553,546	$	601,118
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities (Note 8)	$	277,753	$	420,926
Note payable (Note 9)		-		48,805
		277,753		469,731
Shareholders' Equity				
Share capital (Note 10)		27,303,266		25,169,507
Subscriptions received in advance (Note 10)		-		58,500
Warrants (Note 10)		26,977		114,942
Contributed surplus (Note 10)		3,268,588		2,728,577
Deficit		(30,562,550)		(28,179,651)
Accumulated other comprehensive income		239,512		239,512
		275,793		131,387
Total Liabilities and Shareholders' Equity	$	553,546	$	601,118

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

Approved on Behalf of the Board on April 29, 2019:

"Glen Rehman"
Glen Rehman – CEO

"Robert Chisholm"
Robert Chisholm– CFO

The accompanying notes are an integral part of these consolidated financial statement

NeutriSci International Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended December 31,

		2018		2017
Sales Revenue	**$**	**82,663**	$	151,072
Cost of Sales		**(78,750)**		(161,729)
		3,913		(10,657)
Expenses				
Operating expenses (Note 11)		**1,786,417**		1,565,723
General and administrative costs (Note 11)		**493,620**		516,871
Foreign exchange		**7,323**		28,661
Bad debt expense		**98,952**		-
Finance expense (Note 9)		**500**		28,524
Settlement of accounts payable (Note11(b))		**-**		(28,167)
		(2,386,812)		(2,111,612)
Loss and comprehensive loss for the year	**$**	**(2,382,899)**	$	(2,122,269)
Weighted average number of shares outstanding – basic and diluted		**101,660,798**		81,833,961
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.03)

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

NeutriSci International Inc.

Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital Amount	Subscriptions Received in Advance	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2016	77,403,895	$ 23,870,273	$ -	$ 403,363	$ 2,208,455	$ (26,057,382)	$ 239,512	$ 664,221
Share issuances (net)	13,524,984	1,103,401	-	47,032	-	-	-	1,150,433
Warrants exercised	1,300,000	159,000	-	(25,000)	-	-	-	134,000
Expiry of warrants	-	-	-	(310,453)	310,453	-	-	-
Shares issued for accounts payable	433,333	36,833	-	-	-	-	-	36,833
Subscriptions received in advance	-	-	58,500	-	-	-	-	58,500
Share-based payments	-	-	-	-	209,669	-	-	209,669
Loss and comprehensive loss for the year	-	-	-	-	-	(2,122,269)	-	(2,122,269)
Balance, December 31, 2017	92,662,212	$ 25,169,507	$ 58,500	$ 114,942	$ 2,728,577	$ (28,179,651)	$ 239,512	$ 131,387
Private placement	5,544,000	498,960	-	-	-	-	-	498,960
Share issuance costs	-	(16,833)	-	-	-	-	-	(16,833)
Warrants Exercised	10,716,952	1,635,338	(58,500)	(15,648)	-	-	-	1,561,190
Shares issued for licensing agreement	162,936	16,294	-	-	-	-	-	16,294
Expiry of warrants	-	-	-	(72,317)	72,317	-	-	-
Share based payment	-	-	-	-	467,694	-	-	467,694
Loss and comprehensive loss for the year	-	-	-	-	-	(2,382,899)	-	(2,382,899)
Balance, December 31, 2018	109,086,100	$ 27,303,266	$ -	$ 26,977	$ 3,268,588	$ (30,562,550)	$ 239,512	$ 275,793

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

NeutriSci International Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31,

		2018		2017
Cash provided by / (used in):				
Operating Activities:				
Loss for the year	$	(2,382,899)	$	(2,122,269)
Items not affecting cash:				
Depreciation		3,802		10,438
Amortization of licensing fees		16,294		-
Share-based payments		467,694		209,669
Shares for debt		-		-
Settlement of accounts payable		-		(28,167)
Write-off of tax credits receivable		74,059		6,922
Write-off of related party receivable		13,325		-
Allowance for bad debts		2,436		-
Unrealized foreign exchange loss		2,325		-
Accrued interest – note payable		-		25,735
Net change in non-cash working capital items:				
Accounts receivable		45,429		(30,533)
Tax credits receivable		38,379		(21,509)
Due from related parties		-		28,903
Inventory		(57,206)		17,342
Prepaid expenses		(51,832)		77,952
Accounts payable and accrued liabilities		(217,232)		310,625
		(2,045,426)		(1,514,892)
Investing Activities:				
Purchase of equipment		(28,184)		-
		(28,184)		-
Financing Activities:				
Repayment of loans and notes payable		(51,130)		(277,358)
Net proceeds from share issuance		498,960		1,150,433
Share issuance costs		(16,833)		-
Subscriptions received in advance		-		58,500
Warrants exercised		1,561,190		134,000
		1,992,187		1,065,575
Change in cash for the year		(81,423)		(449,317)
Cash, beginning of the year		356,472		805,789
Cash, end of the year	$	275,049	$	356,472

Significant non-cash activities (Note 6)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

NeutriSci International Inc. (the "Company" or “NeutriSci”) was incorporated under the laws of the Province of Alberta on September 9, 2009. The Company’s shares are listed on Tier 2 of the TSX Venture Exchange (the “Exchange”) under the symbol “NU”. The Company’s head office is at 4015 - 1st Street SE, Calgary, Alberta T2G 4X7 and the Company’s registered and records office is 1600 – 609 Granville St., Vancouver BC, Canada, V7Y 1C3.

NeutriSci is focused on the market development for its nutraceutical products.

Going concern

The Company has a history of losses and anticipates further losses in the development of its business. As at December 31, 2018, the Company has an accumulated deficit of $30,562,550. Continuing business as a going concern is dependent upon the success of the neuenergy™ products in the retail storefront and online markets, and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

(a) Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year which include:

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Income taxes - Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and future periods. Deferred tax assets, if any, are recognized to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse.
- Fair value of stock options and warrants - Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.
- Inventories - Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.
- Estimated product returns - Revenue from product sales is recognized net of estimated sales discounts, credits, returns, rebates and allowances. The return allowance is determined based on an analysis of the historical rate of returns, industry return data, and current market conditions, which is applied directly against sales.

(b) Critical accounting judgements

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are, but are not limited to, the following:

- Deferred income taxes – judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.
- Going concern – As disclosed in Note 1 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

The Company has adopted IFRS 9 retrospectively as of January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 do not have a material impact on the Company's consolidated financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the guidance in IAS 39, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- Financial assets measured at amortized cost; or
- Financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) IFRS 9 *Financial Instruments* (continued)

The Company's financial assets including cash, accounts receivable, and due from related parties, previously carried as loans and receivables are now classified as amortized cost without material impact to carrying values.

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and note payable.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Using the simplified approach for trade receivables, the Company will measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses on trade and other receivables are presented as bad debts expense in the statement of loss and comprehensive loss, similar to the presentation under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements as at January 1, 2018 does not result in any additional impairment allowances.

(d) Financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
Level 3 Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 13 to these consolidated financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty. The Company has no financial instruments that are valued using level 2 or 3 inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

The Company has adopted the modified retrospective approach which allows the cumulative impact of the adoption to be recognized in retained earnings as of January 1, 2018 and that the comparative figures will not be restated. Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.

Revenue recognition

The Company's revenue is comprised of sales of its neuenergy™ product line. Revenues are recognized when the Company satisfies its performance obligation by transferring control of its product to a customer. Control is considered to be transferred at the time the customer receives the product. All transaction prices are determined through negotiations with customers based on market rates. Segment revenues by geographic region are disclosed in Note 15.

(f) Functional and Presentation Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. To date, the functional currency of the Company, Britlor Health and Wellness Inc., 1580306 AB Ltd., and NeutriSci International Corp. ("NeutriSci International") has been determined to be the Canadian dollar ("Cdn$"). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

These financial statements are presented in Canadian dollars. All financial information is expressed in Canadian dollars unless otherwise stated.

Currency translation

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries NeutriSci International and Ambarii Trade Corporation. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company's former subsidiaries Britlor Health and Wellness Inc. and 1580306 AB Ltd. were dissolved during the year ended December 31, 2017. Those entities were inactive and had no significant assets or liabilities on the date of dissolution.

(h) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. The provisions for obsolete, slow-moving or defective inventories are recognized in profit or loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

(i) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses. The Company provides for amortization using the below methods at rates designed to amortize the cost of the equipment over their period of expected use by the Company. A full year of amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The estimated useful lives of assets are reviewed by management and adjusted, if necessary. The annual amortization rates and methods are as follows:

Furniture and equipment: 20% declining balance
Computer equipment: 30% declining balance

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control for strategic financial and operating decisions. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method. The equity method involves recording the initial investment at cost, which represents the fair value of the consideration paid. Thereafter, the carrying value of the investment is increased by additional contributions to the joint venture, and decreased for any distributions received from the joint venture. The carrying value is also adjusted for the Company's share of the profit or loss, and other comprehensive income (loss) of the joint venture after the initial date of recognition.

Financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If such evidence exists, the investment is tested for impairment. An impairment loss is recognized as the amount by which the carrying value exceeds the recoverable amount of the investment. Impairment losses are reversed to the extent the recoverable amount subsequently increases.

(k) Impairment of non-financial assets

The carrying amounts of the Company's long-lived assets are 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. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares (share issue costs) are recognized as a deduction from share capital net of any tax effects.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. Subsequent to the initial recognition of warrants, any modification to the original terms of the warrants attached to units that were initially recognized in accordance with the residual value approach does not result in a re-measurement adjustment.

(m) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. In the Company’s case, diluted loss per share is the same as basic loss per share, as the effect of outstanding stock options and warrants on loss per share would be anti-dilutive.

(n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed surplus to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payments is measured at the fair value of the services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Share-based payments (continued)

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company does not have any provisions for the periods presented.

(q) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially 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 operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. 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 substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 utilized. 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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Future accounting pronouncements

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and is anticipated to be adopted without material impact to the consolidated financial statements

4. INVENTORY

Finished goods		**Total**
Balance, December 31, 2016	$	77,330
Additions		119,293
Cost of goods sold		(41,609)
Promotional (advertising and promotion)		(95,026)
Balance, December 31, 2017	$	59,988
Additions		142,424
Cost of goods sold		(36,863)
Promotional (advertising and promotion)		(48,355)
Balance, December 31, 2018	$	117,194

The inventory as at December 31, 2018 and 2017 consists of the neuenergy™ product.

During the year ended December 31, 2018, the Company recorded cost of sales of $78,750 (2017 - $161,729) comprising $36,863 (2017 - $41,609) of inventory with the remainder primarily attributable to shipping and packaging costs.

(Expressed in Canadian dollars)

5. EQUIPMENT

		Furniture and Equipment		Computer Equipment		Total
Cost:						
Balance, December 31, 2016 and December 31, 2017	$	104,489	$	12,460	$	116,949
Additions		26,125		2,059		28,184
Balance, December 31, 2018	$	130,614	$	14,519	$	145,133
Accumulated Depreciation:						
Balance, December 31, 2016	$	95,626	$	10,885	$	106,511
Depreciation		8,863		1,575		10,438
Balance, December 31, 2017		104,489		12,460		116,949
Depreciation		3,319		483		3,802
Balance, December 31, 2018	$	107,808	$	12,943	$	120,751
Net Book Value:						
December 31, 2017	$	-	$	-	$	-
December 31, 2018	$	22,806	$	1,576	$	24,382

6. SIGNIFICANT NON-CASH ACTIVITIES

The significant non-cash financing or investing activities for the year ended December 31, 2018 included the following:

a) Reclassifying $15,648 from warrant reserve to share capital related to the fair value of finders' warrants exercised (Note 10(b));
b) Reclassifying $72,317 from warrant reserve to contributed surplus related to the fair value of finders' warrants expired.

The significant non-cash financing or investing activities for the year ended December 31, 2017 included the following:

a) Issuing 233,310 finders' warrants valued at $12,109 (Note 10(e));
b) Issuing 213,500 finders' warrants valued at $5,700 (Note 10(e));
c) Issuing 345,956 finders' warrants valued at $29,200 (Note 10(e)); and
d) Issuing 433,333 common shares with a value of $36,833 to settle accounts payable of $65,000 (Note 10(b)).

7. INVESTMENT

On April 6, 2017, the Company, with joint venture partner Lexaria Bioscience Corp. ("Lexaria"), incorporated Ambarii Trade Corporation ("Ambarii"), to produce and commercialize a line of healthy, sugar-free, edible cannabinoid sublingual tablets combining the Company's proprietary pterostilbene tablet form factor and Lexaria's patented technology. Ambarii has no assets, liabilities, or operations and has not yet been funded by the Company or Lexaria. Per a revised licensing agreement signed during the year ended December 31, 2018, Ambarii is owned 100% (2017 – 50%) by the Company. Ambarii had no financial transactions in the year ended December 31, 2018.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

The Company had transactions with the following related parties:

Related party	Relationship
Cassels Brock & Blackwell LLP	Director of the Company is a partner at the law firm
Emprise Capital Corp.	Directors and Officers in common with the Company

The Company incurred the following expenses with companies controlled by directors and officers of the Company.

Name of the related party	Nature of the Services		2018		2017
Cassels Brock & Blackwell LLP	Legal (professional fees)	$	27,444	$	23,797
Emprise Capital Corp.	Management		180,000		180,000
		$	207,444	$	203,797

The following table comprises amounts due to related parties included within accounts payable and accrued liabilities:

		2018		2017
Officers of the Company	$	-	$	2,500
Due to Directors		28,984		28,984
Cassels Brock & Blackwell LLP		8,413		12,943
Total	$	37,397	$	44,427

The following table comprises amounts due from related parties for expense advances:

		2018		2017
Directors	$	-	$	13,325
	$	-	$	13,325

During the year ended December 31, 2018, the Company issued 162,936 common shares valued at $16,294 to Lexaria Bioscience Corp. in satisfaction of an initial fee for the first twelve months of an Intellectual Property Licence and Supply Agreement.

Key management personnel compensation:

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's executive and non-executive directors, and officers.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation (continued)

		2018		2017
Salaries and benefits	$	159,795	$	159,735
Share-based payments		316,306		175,987
Management fees paid to directors		-		2,500
	$	476,101	$	338,222

9. NOTE PAYABLE

Balance, December 31, 2016	$	300,428
Repayment		(277,358)
Finance expense – accrued		25,735
Balance, December 31, 2017	$	48,805
Repayment		(51,130)
Foreign exchange		2,325
Balance, December 31, 2018	$	-

On December 31, 2015, the Company had an outstanding note payable in the amount of $692,000 (US$500,000). On May 4, 2016, the Company entered into an amended agreement to repay this note payable, plus interest at a rate of 6% per annum. As per this agreement, the Company made six monthly payments of US$30,000, followed by two of six monthly payments of US$62,952, for a total of $404,563 (US$305,904) during the year ended December 31, 2016. The total amount includes $76,616 (US$57,712) of interest. During the year ended December 31, 2017, the Company made payments totaling $277,358 (US$210,904) and deferred the balance of payments totalling $48,805 (US$40,904). During the year ended December 31, 2018 the Company made payments totalling $51,130 and recognized foreign exchange of $2,325 to extinguish the note.

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

As at December 31, 2018, the Company has 2,125 (2017 - 150,875) common shares held in escrow which are released at time intervals.

10. SHARE CAPITAL (continued)

(b) Common Share Issuances

For the year ended December 31, 2018:

(i) A total of 10,716,952 warrants with exercise prices of $0.12, $0.15, and $0.18 were exercised for gross proceeds of $1,619,690, of which $58,500 had been received as at December 31, 2017. $15,648 relating to the fair value of finders' warrants exercised was reclassified from warrants reserve to share capital. In connection with the placement, the Company incurred share issuance costs of $16,833.

(ii) On April 3, 2018, the Company issued 162,936 valued at $16,294 to Lexaria Bioscience Corp. in satisfaction of an initial fee for the first twelve months of an Intellectual Property Licence and Supply Agreement. The fair value of the license was included in prepaid expenses at December 31, 2018 and is being amortized on a straight-line basis over the period of one year (Note 11).

(iii) On October 4, 2018, the Company completed a non-brokered private placement by issuing 5,544,000 units (each, a "Unit") of the Company at a price of $0.09 for gross proceeds of $498,960. Each Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of $0.12 until April 5, 2020.

For the year ended December 31, 2017:

(i) On May 2, 2017, the Company completed a non-brokered private placement, raising aggregate proceeds of $399,960 by issuing 3,333,000 units at a price of $0.12 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.20 per share until November 2, 2018.

In connection with the placement, the Company paid a cash commission totaling $27,996 and issued 233,310 finders' warrants valued at $12,132. Each finder's warrant entitles the holder to acquire one common share, at a price of $0.20 until November 2, 2018.

(ii) On July 24, 2017, the Company settled $65,000 of accounts payable through the issuance of 433,333 common shares with a fair value of $36,833. In connection with the settlement, the Company recorded a recovery of $28,167.

(iii) On October 6, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $324,550 by issuing 4,636,429 units at a price of $0.07 per unit, with each unit consisting of one common share and one common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of $0.12 per share until October 5, 2018.

In connection with the placement, the Company paid a cash commission totaling $14,945 and issued 213,500 finder's warrants valued at $5,700. Each finder's warrant entitles the holder to acquire one common share at a price of $0.12 per share until October 5, 2018.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

For the year ended December 31, 2017 (continued):

(iv) On December 6, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $500,000 by issuing 5,555,555 units at a price of $0.09 per unit, with each unit consisting of one common share and one half of common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of $0.15 per share until June 6, 2019.

In connection with the Placement, the Company paid a cash commission totalling $31,136 and issued 345,956 finder's warrants valued at $29,200. Each finder's warrant entitles the holder to acquire one common share, at a price of $0.15 per share until June 6, 2019.

c) Stock options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Subject to a minimum exercise price of $0.10 per share, the exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The stock options can be granted for a maximum term of 10 years, and vest as determined by the Board of Directors.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	**5,168,447**	**$ 0.28**
Granted	3,450,000	0.13
Cancelled	(1,438,280)	0.20
Balance, December 31, 2017	**7,180,167**	**$ 0.25**
Granted	3,225,000	0.18
Cancelled / Expired	(679,167)	0.36
Balance, December 31, 2018	**9,726,000**	**$ 0.20**

A summary of the Company's stock options as at December 31, 2018 are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price of Options outstanding	Expiry date	Weighted Average Remaining contractual life (years)
November 26, 2014	460,000	460,000	$ 0.75	November 26, 2019	0.90
October 7, 2015	416,000	416,000	0.18	October 7, 2020	1.77
September 8, 2016	2,275,000	2,275,000	0.22	September 8, 2021	2.69
September 5, 2017	250,000	156,250	0.10	September 5, 2022	3.68
September 29, 2017	500,000	312,500	0.10	September 29, 2022	3.75
December 6, 2017	2,600,000	2,600,000	0.145	December 6, 2022	3.93
October 17, 2018	3,225,000	-	0.175	October 17, 2023	4.80
Total	**9,726,000**	**6,219,750**	**$ 0.20**		3.68

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

c) Stock options (continued)

During the year ended December 31, 2018, the Company recorded share-based payments of $467,694 (2017 - $209,669) as a result of stock options vested during the year. The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.41%	1.66%
Expected dividend yield	0%	0%
Expected forfeiture	0%	0%
Expected life	5 years	5 years
Expected volatility	123.2%	100%
Fair value per option granted	$0.14	$0.10

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options and profit or loss.

(d) Warrants

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	**33,733,533**	**$ 0.21**
Expired	(15,816,533)	0.24
Exercised	(1,300,000)	0.10
Issued	10,747,208	0.15
Balance, December 31, 2017	**27,364,208**	**$ 0.17**
Granted	5,544,000	0.12
Expired	(13,148,200)	0.19
Exercised	(10,383,452)	0.15
Balance, December 31, 2018	**9,376,556**	**$ 0.15**

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(d) Warrants (continued)

A summary of warrants outstanding as at December 31, 2018 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Price	Expiry date	Weighted Average Remaining contractual life (years)
1,667,000	$0.25	September 30, 2021	2.75
2,165,556	$0.15	June 6, 2019	0.43
5,544,000	$0.12	April 5, 2020	1.26
9,376,556	**$0.15**		1.33

(e) Finders' Warrants

A summary of the Company's finders' warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	**1,442,640**	**$ 0.18**
Expired	(596,640)	0.18
Granted	792,766	0.16
Balance, December 31, 2017	**1,638,766**	**$ 0.17**
Expired	(959,310)	0.18
Exercised	(333,500)	0.14
Balance, December 31, 2018	**345,956**	**$ 0.15**

A summary of finders' warrants outstanding as at December 31, 2018 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Prices	Expiry date	Weighted Average Remaining contractual life (years)
345,956	**$0.15**	June 6, 2019	**0.43**

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(e) Finders' Warrants (continued)

The fair value of the finders' warrants issued during the year ended December 31, 2017 was $47,032. The fair value is recorded as a share issue cost. The fair value of finders' warrants was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	-%	1.26%
Expected dividend yield	-%	0%
Expected forfeiture	-%	0%
Expected life	-	1.4 years
Expected volatility	-%	121%
Fair value per finders' warrant granted	-	$0.06

11. EXPENSES BY NATURE

	2018	2017
Operating expenses:		
Advertising and promotion	**$ 543,941**	$ 519,349
Depreciation (Note 5)	**3,802**	10,438
Consulting fees	**30,151**	82,508
Amortization of licensing fees	**16,294**	-
Rent	**31,200**	37,558
Salaries and benefits (Note 8)	**471,028**	553,853
Share-based payments (Note 8,10(c))	**467,694**	209,669
Storage and handling costs	**12,750**	50,711
Telephone and utilities	**8,860**	15,461
Travel and automobile expenses	**200,697**	86,176
	$ 1,786,417	$ 1,565,723

	2018	2017
General and administrative costs:		
Management fees	**$ 180,000**	$ 180,000
Meals and entertainment	**76,811**	26,063
Office and miscellaneous	**54,157**	57,620
Professional fees	**145,218**	214,092
Transfer agent and filing fees	**37,434**	39,096
	$ 493,620	$ 516,871

12. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholder's equity. The Company's objectives when managing capital are to support the further advancement of the Company's business objectives and existing product lines, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2018, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2018.

13. FINANCIAL INSTRUMENTS

(a) Fair Value

As at December 31, 2018 and 2017, the Company's financial instruments consist of cash, accounts receivable, due from related parties, accounts payable and accrued liabilities, and notes payable. Cash, receivables and due from related parties are classified as amortized cost. Accounts payable and accrued liabilities and notes payable are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

(b) Financial Instrument risk

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances, tax credits receivable, and due from related parties. As at December 31, 2018, accounts receivable of $4,636 (2017 - $52,501) are from customers of the Company's neuenergy™ products. The customers represent a well-diversified group of individuals and small to mid-sized companies. There is moderate risk that some of these customers may fail to make payments, however each individual customer amount is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due.

13. FINANCIAL INSTRUMENTS (continued)

(b) Financial Instrument risk (continued)

i. Credit risk (continued)

The loss allowance provision as at December 31, 2018 is determined as follows:

	0 to 90 days past due	91 and more days past due	Total
Expected loss rate	2%	50%	
Gross carrying amount	$ 2,378	$ 4,612	$ 6,990
Loss allowance provision	$ 48	$ 2,306	$ 2,354

For the year ended December 31, 2018, no significant changes were noted for the expected loss rates.

The loss allowance provision for trade receivables as at December 31, 2018 reconciles to the opening loss allowance provision as follows:

Loss allowance provision	**December 31, 2018**
December 31, 2017	**$ 27,822**
Applied during the year	2,436
Amounts written off	(27,904)
December 31, 2018	**$ 2,354**

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2018, certain of the Company's accounts payable and accrued liabilities are denominated in US$. The balance is subject to foreign exchange fluctuation. A 1% change in the foreign exchange rate would impact profit or loss by approximately $1,100.

iii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is considered insignificant.

iv. Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (continued)

(c) Financial Instrument risk (continued)

v. Liquidity risk (continued)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

At December 31, 2018, the Company had a cash balance of $275,049 to settle current liabilities of $277,753. The Company is currently subject to significant liquidity risks and remains dependant on the financial support of its debtors and shareholders. Refer to Note 1 for additional details.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2018		2017
Net loss for the year	$	(2,382,899)	$	(2,122,269)
Expected income tax recovery		(643,000)		(552,000)
Change in statutory rates and other		14,000		(183,000)
Non-deductible expenditures		137,000		66,000
Share issue costs		(20,000)		(19,000)
Adjustments to prior years' provision versus statutory tax returns		2,000		3,000
Change in unrecognized deductible temporary differences		510,000		685,000
Total income tax expense	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2018	**Expiry Date Range**	**2017**	Expiry Date Range
Equipment	**$ 2,616,000**	No expiry date	$ 2,616,000	No expiry date
Share issue costs	**269,000**	2038 to 2042	462,000	2038 to 2041
Non-capital losses available	**17,300,000**	2030 to 2038	15,220,000	2030 to 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

15. SEGMENT INFORMATION AND MAJOR CUSTOMERS

As at and for the years ended December 31, 2018 and 2017, all of the Company's non-current assets were located in Canada.

For the year ended December 31, 2018, 96% (2017 – 83%) of the Company's sales were generated in Canada and 4% (2017 – 6%) in the United States with an immaterial balance generated internationally. Four (2017 – four) customers generated more than 10% of the Company's revenues independently at a value of $74,229 (2017 – $104,440).

The top three customers generated 77% (2017 – 58%) of revenue for the year ended December 31, 2018. As at December 31, 2018, three customers (2017 – three) totalled 80% (2017 – 80%) of the Company's receivables at a value of $3,714 (2017 - $42,015).

16. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2018, the Company:

a) Completed a non-brokered private placement of 2,125,000 units ("Units") at a price of $0.08 per Unit for gross proceeds of $170,000. Each Units consists of one common share and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire an additional common share of the Company at a price of $0.12 until March 15, 2020.