CHROMEDX CORP.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

INDEX

Independent Auditors' Report

To the Shareholders of ChroMedX Corp.:

We have audited the accompanying consolidated financial statements of ChroMedX Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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 Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of ChroMedX Corp. as at September 30, 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 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about ChroMedX Corp.'s ability to continue as a going concern.

MNP LLP

January 29, 2018
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

CHROMEDX CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		September 30, 2017		September 30, 2016
Assets				
Current assets				
Cash and cash equivalents	$	**477,115**	$	5,162
Prepaid expenses		**8,704**		2,400
HST receivable		**116,034**		28,839
		601,853		36,401
Non-current assets				
Reclamation bonds (note 5)		**70,988**		70,425
Promissory note (note 6)		**59,429**		250,000
Patents (note 4)		**1,550,493**		2,203,918
	$	**2,282,763**	$	2,560,744
Liabilities				
Accounts payable and accrued liabilities	$	**177,264**	$	215,310
Due to related parties (note 8)		**-**		97,475
Provision for well abandonment costs (note 5)		**-**		110,000
		177,264		422,785
Shareholders' equity				
Capital stock (note 7(a))		**8,368,737**		6,486,576
Warrant reserve (note 7 (c))		**1,614,113**		972,830
Contributed surplus		**1,850,809**		526,316
Deficit		**(9,728,160)**		(5,847,763)
		2,105,499		2,137,959
	$	**2,282,763**	$	2,560,744

NATURE OF OPERATIONS AND GOING CONCERN, (Note 1)

Approved on behalf of the board:

"Lahav Gil" CEO
"Gerard Edwards" Director

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

CHROMEDX CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016
(Expressed in Canadian dollars)

		2017		2016
Expenses				
Management fees (note 8)	$	182,500	$	174,750
Consulting fees		775,913		175,964
Shareholder communications and marketing		211,794		136,606
Office, general and administrative		322,968		266,105
Directors' fees		24,000		-
Professional fees		326,624		168,611
Provision for well abandonment costs (note 5)		18,339		84,038
Patent amortization expense (note 4)		653,425		653,425
Share-based payments (note 7(b))		1,359,214		95,540
Transfer agent and filing fees		5,620		200
Net loss and comprehensive loss for the year	$	3,880,397	$	1,755,239
Loss per share				
Basic and diluted (note 12)	$	(0.06)	$	(0.03)
Weighted average number of common shares outstanding, basic and diluted		66,683,816		55,292,626

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

CHROMEDX CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016
(Expressed in Canadian dollars)

	Capital Stock		Warrant reserve	Contributed surplus	Deficit	Total
	Number of shares	Amount				
Balance - October 1, 2015	52,933,097	$ 6,077,065	$ 477,437	$ 485,750	$ (3,745,144)	$ 3,295,108
Shares issued for cash, net of issuance costs	1,850,000	342,000	-	-	-	342,000
Shares issued for cash on exercise of options	475,000	47,500	-	-	-	47,500
Shares issued for cash on exercise of warrants	787,000	113,050	-	-	-	113,050
Fair value of options exercised	-	54,974	-	(54,974)	-	-
Fair value of warrants issued, exercised and expired	-	(148,013)	148,013	-	-	-
Share-based payments	-	-	-	95,540	-	95,540
Warrant modification	-	-	347,380	-	(347,380)	-
Net loss for the year	-	-	-	-	(1,755,239)	(1,755,239)
Balance - September 30, 2016	56,045,097	$ 6,486,576	$ 972,830	$ 526,316	$ (5,847,763)	$ 2,137,959
Balance - October 1, 2016	**56,045,097**	**6,486,576**	**972,830**	**526,316**	**(5,847,763)**	**2,137,959**
Shares issued for cash, net of issuance costs (note 7(a))	**12,800,667**	**1,125,868**	**751,055**	**-**	**-**	**1,876,923**
Shares issued for cash on exercise of options (note 7 (b))	**300,000**	**30,000**	**-**	**-**	**-**	**30,000**
Shares issued for cash on exercise of warrants (note 7 (c))	**2,909,000**	**581,800**	**-**	**-**	**-**	**581,800**
Fair value of options exercised	**-**	**34,721**	**-**	**(34,721)**	**-**	-
Fair value of warrants exercised and expired	**-**	**109,772**	**(109,772)**	**-**	**-**	-
Share-based payments (note 7(b))	**-**	**-**	**-**	**1,359,214**	**-**	**1,359,214**
Net loss for the year	**-**	**-**	**-**	**-**	**(3,880,397)**	**(3,880,397)**
Balance - September 30, 2017	**72,054,764**	**$ 8,368,737**	**$ 1,614,113**	**$ 1,850,809**	**$ (9,728,160)**	**$ 2,105,499**

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

CHROMEDX CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
Operating activities		
Net loss	$ (3,880,397)	$ (1,755,239)
Add (deduct)		
Accrued interest income	(6,929)	-
Patent amortization expense	653,425	653,425
Share-based payments	1,359,214	95,540
Net (decrease) / increase in provision for well abandonment costs	(110,000)	81,146
Net decrease / (increase) in prepaid expenses	(6,304)	125,000
Net decrease / (increase) in HST receivable	(87,195)	51,842
Net (decrease) increase in accounts payables and accrued liabilities	124,455	62,481
Net cash used by operating activities	(1,953,731)	(685,805)
Investing activities		
Increase in reclamation bonds	(563)	(524)
Repayment of promissory note	35,000	
Cash provided (used) by investing activities	34,437	(524)
Financing activities		
Issuance of common shares, net of issuance costs	2,488,722	502,550
Repayment to related party	(97,475)	-
Advances from related party	-	87,870
Cash provided by financing activities	2,391,247	590,420
Increase (decrease) in cash	471,953	(95,909)
Cash - beginning of year	5,162	101,071
Cash - end of year	$ 477,115	$ 5,162

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

1. NATURE OF OPERATIONS AND GOING CONCERN

ChroMedX Corp. ("the Company") was incorporated in British Columbia and is engaged in the business of research, development and manufacturing of in vitro diagnostics and point-of-care technologies. The principal business address of the Company is 65 Queen Street West Suite 520, Toronto, Ontario, M5H 2M5.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows and has working capital of $424,589 as at September 30, 2017 (September 30, 2016 - deficit of $386,384). The Company will continue to search for new or alternate sources of financing in order to continue development of its products but anticipates that the current market conditions may impact the ability to source such funds. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated statement of financial position.

On June 30, 2014, the Company entered into a share exchange agreement with ChroMedX Ltd. ("ChroMedX") pursuant to which the Company has acquired from the ChroMedX shareholders all of the issued and outstanding shares of ChroMedX in exchange for an equal number of common shares in the capital of the Company (the "Acquisition"). ChroMedX will be the registered holder of certain patents and patents pending in the biomedical technology field. Upon completion of the Acquisition, ChroMedX became a wholly-owned subsidiary of the Company, and Monarch Energy Limited changed its name to ChroMedX Corp. The Acquisition was accounted for as a reverse acquisition.

On January 31, 2017, the Company filed Articles of Amalgamation under the Business Corporations Act (Ontario), whereby the Company was amalgamated with ChroMedX to form an amalgamated corporation operating under the name of "ChroMedX Corp." (the "Company"). All amounts herein reflect the financial effects of the amalgamation.

2. BASIS OF PRESENTATION

Statement of Compliance

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

The consolidated financial statements of the Company for the year ended September 30, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 29, 2018.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ChroMedX Ltd. prior to the amalgamation of its subsidiary (see Note 1). All significant intercompany balances and transactions have been eliminated on consolidation.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Use of Estimates and Judgement

The preparation of these consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those 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.

(i) Critical accounting estimates

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 and are, but are not limited to, the following:

Share-based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Asset retirement obligation

Management has exercised their judgment in determining the costs to suspend and eventually abandon a well currently under ownership. In order to setup a provision, management had to also determine their best estimate of what the most appropriate pre tax discount rate would be; one that reflects current market assessments of the time value of money and the risks specific to the abandonment costs. The asset retirement obligation related to the operations of Monarch prior to the reverse acquisition.

Useful life of patents

Management has exercised their judgment in determining the useful life of its patents. The estimate is based on the expected period of benefit of the patent and the expected life of the product in the market place.

(ii) Critical accounting judgments

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

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

Evaluation of going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

Impairment of patents

Management has exercised their judgment in determining if the patents are impaired. The judgement is based on the expected future benefit of the patents.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Impairment

At each financial position reporting date the carrying amounts of the Company's long lived assets are reviewed to determine whether there is any indication that those assets are impaired at a cash generating unit level. If any such indication exists, the recoverable amount of the cash generating unit is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Intangible assets

The Company's intangible assets consist of patents. The Company records intangible assets at fair value at the date of acquisition. An intangible asset is capitalized when the economic benefit associated with an asset is probable and when the cost can be measured reliably. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Cost consists of expenditures directly attributable to the acquisition of the assets. Intangible assets with finite lives are tested amortized over the related benefit period. Those with indefinite lives are not amortized and are tested for impairment on an annual basis. The Company's intangible assets consist of patents that are amortized over a 5 year period.

Research and Development costs

Costs associated with the development of the Company's products are capitalized where the following criteria are met:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

No expenditures relating to research and development have been capitalized to date.

Share-based Payments

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted. For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	**Category**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value
Promissory note	Loans and receivables	Amortized cost
Reclamation bonds	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 inputs.

Revenue Recognition

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments that are readily convertible to known amounts of cash subject to significant risk of changes in value. As at September 30, 2017 and 2016, the Company has no cash equivalents on hand.

Income Taxes

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

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set off within fiscal jurisdictions.

Basic and Diluted Income (Loss) per Share

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

(Expressed in Canadian dollars)

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive income (loss) is the same as net income (loss).

Future Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments, ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after August 1, 2018.

IFRS 15, revenue from contracts and customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases. IFRS 16 was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4. PATENTS

The following is a summary of patents as at September 30, 2017:

Balance - September 30, 2015	$ 2,857,343
Amortization	(653,425)
Balance - September 30, 2016	2,203,918
Amortization	(653,425)
Balance - September 30, 2017	**$ 1,550,493**

This asset relates to patents and a patent option which was granted by InvidX Corp ("InvidX") to the Company to acquire all rights, title and interest in and to the Patents, and was exercisable on or before 2 years following the date of the Option Agreement dated June 16 2014. In consideration of the option granted, the Company issued 15,000,000 common shares in the capital of the Company as of June 16, 2014. The Company had the option during the 2 year period for a purchase of $1,500,000, such purchase price to be satisfied either by a cash payment or through the issuance of common shares of the Company at a minimum price of 20% discount to the 10-day volume weight average trading price of the Company's common shares immediately preceding the exercise of the option.

(Expressed in Canadian dollars)

At the time of the acquisition of the option, InvidX was a shareholder in ChromedX Ltd. and was operating as ChromedX Inc. Subsequent to the reverse takeover, ChromedX Inc. changed its name to InvidX Corp. InvidX is controlled by an officer of the Company.

On December 9, 2014, the Company exercised the option and in consideration, issued 5,474,452 common shares to InvidX Corp.

5. PROVISION FOR WELL ABANDONMENT COSTS

The Company holds reclamation bonds with the Alberta Energy Regulator as required by section 1.100(2) of the Oil and Gas Conservation Regulations and Directive 006: License Liability Rating Program and License Transfer Process. The reclamation bonds are held for the purposes of the future well abandonment, related to the business of the Company prior to the reverse takeover transaction.

During the prior year, the Company received a letter from the Alberta Energy Regulator requesting the immediate reclamation of the abandoned well. The Company engaged a consultant to perform the work. The Consultant provided an estimate of $110,000. The work was completed in fiscal 2017 and as a result the provision has been reduced to zero. The additional costs of $14,254 above the original estimate have been recorded to provision for well abandonment.

6. PROMISSORY NOTE

During the year ended September 30, 2016, the Company entered into a promissory note agreement in the amount of $250,000 for the amount outstanding in the previous year from a shareholder. The loan bears interest at the Bank of Montreal prime rate plus 1% per annum and the principal and interest are due on demand. Reductions during year were a result of payment made by the holder to suppliers the Company. During the year, amounts of $35,000 were repaid in cash. The remaining reductions were due to the promissory note holder settling the Company's accounts payable on their behalf.

Balance - September 30, 2016	$	250,000
Reductions during the year		(197,500)
Accrued interest		6,929
Balance - September 30, 2017	**$**	**59,429**

7. CAPITAL STOCK

(a) **Common shares**

Authorized

The authorized capital stock of the Company consists of an unlimited number of common shares.

i. In November 2015, the Company completed a private placement of 1,850,000 units at a price of $0.20 per unit for aggregate proceeds of $370,000. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 per a common share for a period of 24 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $28,000 and issued 140,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.30 for a period of 24 months from the date of issuance.

ii. In October 2016, the Company completed a private placement of 4,400,000 units at a price of $0.125 per unit for aggregate proceeds of $550,000. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.20 per a common share for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $10,500 and issued 84,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance.

iii. In December 2016, the Company completed a private placement of 1,227,000 units at a price of $0.15 per unit for aggregate proceeds of $184,050. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.20 per a common share for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $22,817 and issued 44,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance.

iv. In February 2017, the Company completed a private placement of 4,073,667 units at a price of $0.15 per unit for aggregate proceeds of $611,050. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.20 per a common share for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $24,744 and issued 164,960 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance.

v. In June 2017, the Company completed a private placement of 3,100,000 units at a price of $0.20 per unit for aggregate proceeds of $620,000. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 per a common share for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $30,117 and issued 80,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance.

(b) **Stock option plan and share-based payments**

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

(Expressed in Canadian dollars)

The following table summarizes information concerning the Company's stock options outstanding as at September 30, 2017:

	Number of Options Outstanding	Black-Scholes Value	Weighted Average Exercise Price
Balance - September 30, 2015	3,400,000	$ 486,122	$ 0.15
Granted	620,000	98,948	0.20
Exercised	(475,000)	(54,974)	0.10
Balance - September 30, 2016	3,545,000	530,096	0.15
Granted	6,560,000	1,355,811	0.24
Exercised	(300,000)	(34,721)	0.10
Expired	(75,000)	(8,680)	0.10
Balance - September 30, 2017	**9,730,000**	**$ 1,842,506**	**$ 0.22**

The following common share purchase options are outstanding at September 30, 2017:

Date of Grant	Number of Options Outstanding	Exercise Price	Weighted Average remaining life (years)	Expiry Date	Number of Options exercisable
July 10, 2014	1,400,000	$ 0.10	1.78	July 10, 2019	1,400,000
October 9, 2014	600,000	0.18	0.02	October 9, 2017	300,000
December 10, 2014	550,000	0.35	2.19	December 10, 2019	550,000
December 7, 2015	620,000	0.20	3.19	December 7, 2020	620,000
October 24, 2016	2,800,000	0.15	4.07	October 24, 2021	2,800,000
June 19, 2017	3,760,000	0.30	4.72	June 19, 2022	3,760,000
	9,730,000				9,430,000

The weighted average share price on the date options were exercised was $0.20 (2016 - $0.25).

The fair value of options granted during the year ended September 30, 2016 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions:

	September 30, 2017	**September 30, 2016**
Share price	$0.15 - $0.29	$0.18
Risk-free interest rate	0.60% - .1.12%	0.76%
Expected life of options	5 years	4 years
Annualized volatility	140% - 162%	160%
Dividend rate	Nil	Nil
Forfeiture rate	0%	0%

In the consolidated statement of loss, the Company recorded share-based payments of $1,359,214 for the year ended September 30, 2017 (September 30, 2016 - $95,540).

The Company has 300,000 options which will only vest upon certain terms being fulfilled.

(Expressed in Canadian dollars)

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the year ended September 30, 2017:

	Number of Warrants Outstanding	Black-Scholes Value	Weighted Average Exercise Price
Balance - September 30, 2015	18,921,952	$ 477,437	$ 0.22
Issued	1,990,000	157,713	0.30
Exercised	(787,000)	(9,562)	0.15
Expired	(379,000)	(138)	0.15
Balance - September 30, 2016	19,745,952	625,450	0.23
Issued	13,173,627	751,055	0.22
Exercised	(2,909,000)	(109,772)	0.20
Expired	(15,316,952)	(725,858)	0.23
Balance - September 30, 2017	**14,693,627**	**$ 540,875**	**$ 0.23**

The weighted average share price on the date warrants were exercised was $0.26 (2016 - $0. 17).

The fair value of warrants issued in the year ended September 30, 2017 of $751,055 (September 30, 2016 - 157,713) has been estimated using the Black-Scholes pricing model and this value has been disclosed as a separate component of shareholders' equity.

The assumptions used for the valuation of warrants are as follows:

	September 30, 2017	September 30, 2016
Share price	$0.15 - $0.29	$0.20 - $0.22
Risk-free interest rate	0.53% to 0.94%	0.52% - 0.67%
Time to maturity	1.5	2 years
Estimated volatility in the market price of the common shares	122% - 138%	94% - 96%
Dividend yield	NIL	NIL

At September 30, 2017, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Number of Warrants Outstanding	Exercise Price	Fair Value	Expiry Date
1,890,000	$ 0.30	149,642	October 14, 2017
100,000	0.30	8,071	November 6, 2017
4,164,000	0.20	182,073	April 24, 2018
1,271,000	0.20	73,718	June 29, 2018
4,088,627	0.20	240,845	August 2, 2018
3,100,000	0.30	217,493	December 19, 2018
80,000	0.20	14,616	December 19, 2018
14,693,627		$ 886,458	

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

As at September 30, 2017, amounts due to related parties consist of $NIL (September 30, 2016 - $97,475) to companies controlled by officers and directors of the Company.

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	September 30, 2017	September 30, 2016
Share-based compensation (note 7(b))	$ 734,132	$ 77,048
Short-term benefits*	$ 597,666	$ 192,750

*includes base salaries pursuant to contractual employment, or consultancy arrangements. These have been recorded in consulting fees and management fees.

(Expressed in Canadian dollars)

9. INCOME TAXES

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

	September 30, 2017	September 30, 2016
Net income (loss) before taxes	**$ (3,880,397)**	$ (1,755,239)
Combined Canadian federal and provincial tax rate	**26.50%**	26.50%
Expected income tax (recovery) at statutory tax rates	**$ (1,028,305)**	$ (465,138)
Share based compensation and non-deductible expenses	**360,190**	-
Permanent Difference	**-**	25,800
Share issuance costs	**-**	(7,420)
Change in unrecognized deferred tax assets	**668,115**	446,758
Total tax	**$ -**	$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	September 30, 2017	September 30, 2016
Exploration & evaluation assets	**$2,608,354**	$2,608,354
Share issuance costs	**125,547**	48,151
Retirement obligation	**-**	110,000
Patent	**1,716,632**	1,063,207
Non-capital losses	**4,966,501**	2,947,425
	$9,417,034	$6,777,137

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom. Non-capital loss carry forwards expire as rated in the table below. Share issue costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely.

As at September 30, 2017 the Company has non-capital losses of $5,416,480 that can be used to reduce future taxable income. These losses expire as follows:

2034	609,811
2035	1,396,730
2036	940,884
2037	2,019,076
	4,966,501

10. FINANCIAL RISK FACTORS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company’s financial instruments consist of cash and cash equivalents, reclamation bonds, promissory note, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of the Company’s accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company’s cash and cash equivalents are recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets or liabilities. The Company’s other financial instruments, being reclamation bonds and promissory note, are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Interest Rate Risk

The Company has cash balances and a promissory note receivable, and is not at a significant risk to fluctuating interest rates. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2017, the Company did not have any investments in investment-grade short-term deposit certificates. The Company has a promissory note receivable that bears a fluctuating interest rate. The Company monitors the credit worthiness of the debtor and is satisfied with the debtor’s ability to repay the amount owing.

b) Foreign currency risk

As at September 30, 2017, the Company’s expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main source of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

As at September 30, 2017, the Company held cash of $477,115 (2016 - $5,162) to settle current liabilities of $177,264 (2016 - $422,785). All of the Company's liabilities are due within the next fiscal year. See note 1 for discussion on going concern.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by investing its cash equivalents with Canadian chartered banks.

11. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at September 30, 2017 the Company's capital stock was $8,368,737 (2016 - $6,486,576).

There were no changes in the Company's approach to capital management during the year ended September 30, 2017 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company's capital structure includes components of shareholders' equity.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the year ended September 30, 2017, this would be anti-dilutive.

13. SUBSEQUENT EVENTS

i. On November 20, 2017, the Company closed a non-brokered private placement of 7,570,500 units at a price of $0.20 per unit for aggregate gross proceeds of $1,514,100. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 for a period of two years. Certain eligible persons were paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company by such persons, and also issued broker warrants equal to 8% of the securities purchased by such subscribers. Each broker warrant entitles the holder thereof to purchase one common share at a price of $0.20 for a period of two years. All securities issued are subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation.

ii. On November 20, 2017, the Company granted an aggregate of 3,212,000 options to purchase common shares of the Company exercisable at a price of $0.27 per share and expiring on November 20, 2022, to certain directors, officers and consultants of the Company.

iii. On October 9, 2017, 600,000 stock options with an exercise price of $0.18 expired.

iv. Subsequent to the year end 2,241,960 warrants were exercised for proceeds of $455,392 and 50,000 options were exercised for proceeds of $5,000