

BIOCURE TECHNOLOGY INC
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Biocure Technology Inc.

Opinion

We have audited the consolidated financial statements of Biocure Technology Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in 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, the accompanying 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.

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 audits 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 International Financial Reporting Standards, 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.

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 David Goertz.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC

April 30, 2019

Biocure Technology Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
ASSETS			
Current			
Cash		\$ 108,616	\$ 1,083,347
Receivables	5	32,708	43,834
Prepaid expenses	6	19,857	155,483
Inventory		20,708	30,568
Loans receivable	7	-	45,917
		<u>181,889</u>	<u>1,359,149</u>
Non-current			
Equipment	8	164,819	169,140
Intangible asset		2,026	-
Deposits	6	30,762	30,649
Investments in KWULP and KWUC	4	1,969,633	1,970,543
Loans receivable	7	-	17,660
Land deposit	9	1,275,254	331,304
		<u>3,442,494</u>	<u>2,519,296</u>
TOTAL ASSETS		<u>\$ 3,624,383</u>	<u>\$ 3,878,445</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	10	\$ 772,757	\$ 296,669
Due to related parties	11	-	72,033
Loans payable	12	927,029	465,515
Severance liabilities	13	208,102	163,760
		<u>1,907,888</u>	<u>997,977</u>
Non-current			
Loan payable	14	815,184	-
		<u>2,723,072</u>	<u>997,977</u>
Shareholders' equity			
Share capital	15	16,984,641	15,065,257
Accumulated other comprehensive loss		(657,064)	(599,886)
Reserve for stock options and warrants	16	4,581,092	1,836,062
Deficit		(20,007,358)	(13,420,965)
		<u>901,311</u>	<u>2,880,468</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 3,624,383</u>	<u>\$ 3,878,445</u>

Nature of operations and going concern (Note 1)

Commitments (Notes 9, 13 and 17)

Subsequent events (Notes 9 and 19)

Approved on behalf of the Board on April 30, 2019:

"Sang Mok Lee"

Director

"Collin Kim"

Director

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

Biocure Technology Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31,

(Expressed in Canadian Dollars)

	Note	2018	2017
EXPENSES			
Amortization	8	\$ 51,885	\$ 28,502
Consulting		143,227	-
Filing fees		88,869	-
General and administrative		80,304	33,712
Interest	12,14	37,967	28,458
Management fees	11	57,500	9,500
Motor vehicle expenses		23,565	28,561
Payroll	11	961,325	736,182
Professional fees		105,551	13,969
Rent		57,931	31,636
Research and development		1,362,880	301,446
Royalty expense		1,060	1,035
Share-based compensation	11,16	3,244,662	-
Supplies		18,336	32,729
Travel and entertainment		251,794	183,699
Utilities		4,988	4,041
		<u>(6,491,844)</u>	<u>(1,433,470)</u>
OTHER INCOME (EXPENSES)			
Donation		(2,944)	-
Foreign exchange gain		287	3,151
Interest income		5,852	16,425
Gain on preferred shares liabilities	17	-	25,760
Listing fees	3	-	(3,389,367)
Write-off of loans receivable	7	(97,744)	-
		<u>(94,549)</u>	<u>(3,344,031)</u>
LOSS		(6,586,393)	(4,777,501)
OTHER COMPREHENSIVE LOSS			
Foreign currency translation		(57,178)	(132,667)
		<u>(57,178)</u>	<u>(132,667)</u>
COMPREHENSIVE LOSS		\$ (6,643,571)	\$ (4,910,168)
BASIC AND DILUTED LOSS PER SHARE			
WEIGHTED AVERAGE SHARES OUTSTANDING –		\$ (0.07)	\$ (0.06)
BASIC AND DILUTED		95,791,430	80,541,488

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

Biocure Technology Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Obligation to Issue Shares	Reserve For Stock Options and Warrants	Accumulated Other Comprehensive Loss	Deficit	Total
December 31, 2016	73,086,024	\$ 7,929,075	\$ 904,862	\$ -	\$ (467,219)	\$ (8,643,464)	\$ (276,746)
Private placement (Note 15)	6,600,000	2,667,862	-	-	-	-	2,667,862
Issuance of shares under obligation (Note 15)	3,790,680	904,862	(904,862)	-	-	-	-
Conversion of preferred shares (Note 17)	2,727,264	651,573	-	-	-	-	651,573
Recapitalization of Gravis (Note 3)	7,183,653	2,911,885	-	-	-	-	2,911,885
Listing costs - stock options (Note 3)	-	-	-	533,598	-	-	533,598
Listing costs - stock warrants (Note 3)	-	-	-	1,302,464	-	-	1,302,464
Net loss	-	-	-	-	-	(4,777,501)	(4,777,501)
Other comprehensive loss	-	-	-	-	(132,667)	-	(132,667)
December 31, 2017	93,387,621	15,065,257	-	1,836,062	(599,886)	(13,420,965)	2,880,468
Issuance of shares for options exercised (Note 15)	3,549,380	1,919,384	-	(499,632)	-	-	1,419,752
Share-based compensation (Note 16)	-	-	-	3,244,662	-	-	3,244,662
Net loss	-	-	-	-	-	(6,586,393)	(6,586,393)
Other comprehensive loss	-	-	-	-	(57,178)	-	(57,178)
December 31, 2018	96,937,001	\$ 16,984,641	\$ -	\$ 4,581,092	\$ (657,064)	\$ (20,007,358)	\$ 901,311

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

Biocure Technology Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	2017
OPERATING ACTIVITIES		
Net loss for the year	\$ (6,586,393)	\$ (4,777,501)
Non-cash items:		
Amortization	51,885	28,188
Interest	28,087	28,188
Gain on preferred shares liabilities	-	(25,760)
Listing fees - non-cash	-	2,955,860
Share-based compensation	3,244,662	-
Write-off of loans receivable	97,744	-
Changes in non-cash working capital items:		
Receivable	7,739	(30,645)
Prepaid expenses and deposits	136,752	(152,183)
Inventory	10,652	(29,846)
Accounts payable and accrued liabilities	383,451	130,025
Severance liability	36,422	3,803
Deferred income	-	(8,047)
Net cash used in operating activities	<u>(2,588,999)</u>	<u>(1,877,918)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(40,982)	(409,099)
Purchase of intangible assets	(2,250)	-
Payment of deposit for land purchase	(895,568)	-
Loan receivable	(34,151)	(21,841)
Net cash used in investing activities	<u>(972,951)</u>	<u>(430,940)</u>
FINANCING ACTIVITIES		
Due to related parties	399,996	4,365
Proceeds from private placements	-	2,667,862
Proceeds from options exercised	1,419,752	-
Loans payable (repayment)	784,306	(19,000)
Net cash provided by financing activities	<u>2,604,054</u>	<u>2,653,227</u>
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	(16,835)	(119,708)
NET CHANGE IN CASH	(974,731)	224,661
CASH, BEGINNING OF THE YEAR	<u>1,083,347</u>	<u>858,686</u>
CASH, END OF THE YEAR	<u>\$ 108,616</u>	<u>\$ 1,083,347</u>
NON-CASH TRANSACTIONS		
Shares issued on conversion of preferred shares	\$ -	\$ 651,573
Warrants issued as listing fees	\$ -	\$ 1,302,464
Stock options issued as listing fees	\$ -	\$ 533,598

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

Biocure Technology Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Biocure Technology Inc., formerly known as Gravis Energy Corp., (the “Company”) was incorporated under the Business Corporation Act (British Columbia) on August 24, 2007. The Company is engaged in a mineral exploration property project through a limited partnership. The Company is also engaged in developing and commercializing several biopharmaceutical technologies relating to uses of recombinant and ranibizumab. The Company’s head office is located at Suite 300, 1055 West Hastings Street, Vancouver, BC, Canada and is trading on the Canadian Securities Exchange under the symbol CURE. On June 18, 2018, the Company began trading on OTCQB under the symbol BICTF.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has a working capital deficiency of \$1,725,999 (2017 - working capital of \$361,172) and has no revenue from operations. The continuing operations of the Company are dependent upon its ability to raise additional capital during the next twelve months and beyond to support current operations and planned development. The Company has material financial uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation***Statement of compliance*

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

Functional and presentation currency

The consolidated financial statements of the Company are presented in Canadian dollars.

The individual financial statements of each entity of the Company are presented in the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiary is South Korea Won.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership	Principle Activities
Biocurepharm Corporation (“BP Korea”)	Korea	100%	Biopharmaceutical

Biocure Technology Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)**

All intercompany transactions, balances, income and expense are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of investments in KWULP and KWUC, useful lives of equipment, recoverability of receivables, fair value measurement and the timing of future cash flows of financial instruments, and the measurement of deferred tax assets and liabilities.

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these consolidated financial statements were:

- Evaluating whether or not costs incurred by the Company in developing its pharmaceutical products meet the criteria for capitalization to intangible assets. Management determined that as at December 31, 2018, it was not yet able to demonstrate with sufficient certainty that future economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1), the classification of its financial instruments and the classification of leases as either operating or finance type leases.

Intangible assets*Research and development*

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. As of December 31, 2018, the Company has not capitalized any development expenditures.

Biocure Technology Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Intangible assets (continued)***Patent costs*

Patents for technologies that are no longer in the research phase are recorded at cost. Patent costs include legal fees to obtain patent and patent application fees. When the technology is still in the research phase, those costs are expensed as incurred.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Class of equipment	Rate
Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Testing equipment	5 years

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Severance liability

Severance liability expense is recognized as the employee provides service to the Company and is recorded with either the severance liability or the Company's cash contributions to the pension fund.

Inventory

Inventories consisting of finished goods and raw materials are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost formula, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Biocure Technology Inc.

Notes to the Consolidated Financial Statements
 For the Years Ended December 31, 2018 and 2017
 (Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Change in accounting policies - Financial instruments**

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 I (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Receivables	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Investments in KWULP and KWUC	FVTPL	FVTOCI
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

*Measurement*Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income (loss).

Biocure Technology Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Change in accounting policies - Financial instruments (continued)***Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net (loss) income.

New standard IFRS 15 "Revenue from Contracts with Customers"

The Company derives revenue from sale of products (biosimilar) and raw materials (microneedle). The Company recognizes revenue when the amount of revenue is fixed and determinable and it is probable that future economic benefits will flow to the entity.

The Company adopted all of the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") as of January 1, 2018. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations on revenue. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. As the Company started earning revenue, the Company continues to assess the impact on the consolidated financial statements.

Share capital

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

Biocure Technology Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss is incurred during the year, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2018, the Company had no potentially dilutive shares outstanding.

Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net loss.

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and nonmarket vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based payments (continued)**

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes Option Pricing Model.

Foreign currency translation*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Accounting standards issued but not yet applied*New standard IFRS 16 "Leases"*

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 17 to have a significant impact on statements of financial position. The Company continues to assess the impact of the disclosure requirements under IFRS on the Company's consolidated financial statements.

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3. REVERSE TAKEOVER TRANSACTIONS

On November 24, 2017, the Company completed a transaction pursuant to a comprehensive share swap arrangement, whereby all issued and outstanding common shares and preferred shares of BP Korea were acquired by the Company in exchange for the Company's common shares via a merger of BP Korea with Gravis Energy Korea Co., Ltd. ("Gravis Korea"), a merger company (the "Transaction"). Gravis Korea was merged with BP Korea and the separate existence of Gravis Korea ceased.

Prior to closing of the Transaction, the Company completed a consolidation of its issued and outstanding common shares on a 6.0334 for 1 basis.

This resulted in a reverse take-over of the Company by the shareholders of BP Korea. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As BP Korea is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of the Company up to the date of the Transaction.

On November 24, 2017, the Transaction closed and the Company acquired, on a one for 24 basis, all issued and outstanding shares of BP Korea in exchange for 82,413,288 post-consolidation common shares of the Company.

Consideration - shares	\$ 2,911,875
Legal and professional fees - cash	433,507
Legal and professional fees - stock option granted (Note 16)	533,598
Legal and professional fees - warrants issued	1,302,464
Net assets acquired	1,792,077
Listing fees	\$ 3,389,367

Fair value of the Company acquired, net of liabilities

Cash	\$ 4,365
Sales tax receivable	923
Investment in KWULP and KWUC	1,965,527
Trade payables and other payables	(106,188)
Loan payable	(72,550)
	\$ 1,792,077

The fair value of 7,183,653 issued common shares of the Company was estimated to be \$0.25 per share using the concurrent private placement completed by the Company.

The Company granted 3,790,680 stock options, as part of professional fees, exercisable at a price of \$0.40 per share expiring in 12 months following the grant date. The fair value of stock options was \$533,598, estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.42%
Estimate life	1 year
Expected volatility	90%
Expected dividend yield	0%
Forfeiture rate	0%

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3. REVERSE TAKEOVER TRANSACTIONS (continued)

The Company is committed to issue 3,790,680 share purchase warrants, as part of professional fees, exercisable at the closing price on the issuance date per share within 12 months following the issuance date. On February 22, 2018, the Company issued 1,895,340 share purchase warrants exercisable at \$1.15 per share within 12 months following the issuance date. The remaining warrants were issued on May 31, 2018 with a term similar on the share purchase warrant issuance on February 22, 2018. The fair value of share-purchase warrants was \$1,302,464, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.83%
Estimate life	1 year
Expected volatility	90%
Expected dividend yield	0%
Forfeiture rate	0%

During the year ended December 31, 2016, the Company incurred legal and professional fees pertaining to the Transaction of \$1,048,511 including 3,790,680 common shares with the fair value of \$904,862 issued to an agent (Note 15).

4. INVESTMENTS IN KWULP AND KWUC

The Company has a 10% interest in Korea Waterbury Uranium Limited Partnership ("KWULP"), a limited partnership registered under the Limited Partnerships Act (British Columbia), and a 10% interest in the Korea Waterbury Uranium Corporation ("KWUC"), KWULP's general partner.

In January 2008, KWULP entered into an earn-in agreement with Fission Energy Corp. ("Fission") whereby Fission granted an option to KWULP to acquire up to a 50% interest in certain mineral claims in Saskatchewan, known as the Waterbury Lake Property, by incurring aggregate exploration costs of \$14,000,000 by January 30, 2011 (incurred) and subscribing for 1,000,000 common shares of Fission at a price of \$1.00 per share (subscribed to on March 14, 2008).

In August 2010, KWULP and Fission Energy Corp. entered into a definitive Limited Partnership Agreement ("WLULP") to further the joint exploration and development of the Waterbury Lake Uranium Property located in Saskatchewan's Athabasca Basin (the "Waterbury Project"). Each party is responsible for expenditures in accordance with its interest in the partnership and any profits will be distributed to the parties on the same basis.

On April 11, 2011, Fission, a limited partner of KWULP, exercised the Back-In Option available under the WLULP Limited Partnership Agreement. KWULP received \$6,000,000 for the Back-in Option from Fission, accordingly of which the Company received \$600,000. As a result of the exercise of this option, Fission's interest in WLULP was increased by 10% and KWULP's interest was reduced by 10%. KWULP then held a 40% interest and Fission then held 60% in WLULP.

On January 16, 2013, a Binding Letter of Intent was announced whereby Denison Mines Corp. ("Denison"), by way of an arrangement, would acquire certain assets of Fission, including Fission's 60% interest in the WLULP. The arrangement received final approval of the British Columbia Supreme Court and TSX Venture Exchange on April 25, 2013.

On September 30, 2015, KWULP decided not to participate in funding for the Waterbury Project and as Denison incurs expenditures. Its interest will increase and KWULP's will decrease. As at December 31, 2018, KWULP's interest has declined to 34.06%.

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4. INVESTMENTS IN KWULP AND KWUC (continued)

The Company's investment in KWULP is classified as a fair value through other comprehensive loss ("FVTOCI") financial asset. Because the investment is an unquoted investment in a private entity and the primary asset is an exploration stage resource property, the fair value is highly subjective. Management has reviewed for indicators of impairment and concluded that no such indicators exist as at December 31, 2018.

5. RECEIVABLES

The Company's receivables are wholly comprised of refundable value-added tax. As of December 31, 2018, the Company had \$32,708 (2017 - \$43,834) in receivables.

6. PREPAID EXPENSES AND DEPOSITS

	2018	2017
Current:		
Prepaid expenses	\$ 19,857	\$ 155,483
Non-current:		
Deposits	30,762	30,649
Total	\$ 50,619	\$ 186,132

7. LOANS RECEIVABLE

The Company entered into loan agreements to lend a total of \$97,744 (KRW 83,000,000) to a director. The loans receivable are unsecured and due between April 16, 2019 (in default) and September 4, 2020. The loans bear interest of 1.20% per annum. During the year ended December 31, 2018, the loans were written off in full.

8. EQUIPMENT

	Furniture and Fixtures	Office Equipment	Computer Equipment	Testing Equipment	Total
Cost:					
At December 31, 2016	\$ 26,275	\$ 7,542	\$ 9,872	\$ 480,715	\$ 524,404
Additions	24,725	-	-	66,109	90,834
Effect of foreign exchange	1,365	392	513	24,988	27,258
At December 31, 2017	52,365	7,934	10,385	571,812	642,496
Additions	-	-	-	40,982	40,982
Effect of foreign exchange	2,074	314	411	24,263	27,062
At December 31, 2018	\$ 54,439	\$ 8,248	\$ 10,796	\$ 637,057	\$ 710,540

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8. EQUIPMENT (continued)

	Furniture and Fixtures	Office Equipment	Computer Equipment	Testing Equipment	Total
Amortization:					
At December 31, 2016	\$ 26,275	\$ 6,219	\$ 8,121	\$ 378,925	\$ 419,540
Charge for the year	-	839	975	29,438	31,252
Effect of foreign exchange	1,366	344	445	20,409	22,564
At December 31, 2017	27,641	7,402	9,541	428,772	473,356
Charge for the year	4,946	532	434	45,674	51,586
Effect of foreign exchange	1,289	314	395	18,781	20,779
At December 31, 2018	\$ 33,876	\$ 8,248	\$ 10,370	\$ 493,227	\$ 545,721
Net book value:					
At December 31, 2017	\$ 24,724	\$ 532	\$ 844	\$ 143,040	\$ 169,140
At December 31, 2018	\$ 20,563	\$ -	\$ 426	\$ 143,830	\$ 164,819

During the year ended December 31, 2018, the Company recorded amortization of \$nil (2017 - \$2,750) to inventory and the remaining to profit and loss.

9. LAND DEPOSIT

During the year ended December 31, 2017, the Company entered into an agreement with Korea Land & Housing Corp. ("KLHC") to acquire land for the purpose of constructing a research and development facility. The payment schedule is as follows:

Date	KRW	\$
December 12, 2017 (paid)	281,395,000	344,427
June 12, 2018 (paid)	422,555,000	517,207
December 12, 2018	422,000,000	516,528
June 12, 2019	422,000,000	516,528
December 12, 2019	422,000,000	516,528
June 12, 2020	427,908,000	523,759
December 12, 2020	429,405,230	525,592
	2,827,263,230	3,460,570

The title of the land transfers to the Company upon completion of the scheduled payments.

For the December 12, 2018 payment, the Company only paid \$407,592 (KRW 333,000,000) of the \$516,528 (KRW 422,000,000). The unpaid amount of \$108,936 (KRW 89,000,000) was paid in March 2019.

If the Company defaults and does not proceed with the purchase, the initial payment of \$344,427 (KRW 281,395,000) shall be forfeited.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable	\$ 713,759	\$ 244,363
Accrued liabilities	37,774	44,000
Payroll liabilities	21,224	8,306
	\$ 772,757	\$ 296,669

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11. RELATED PARTIES**Key management compensation**

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 members of the Company's Board of Directors and the Chief Executive Officer ("CEO"). The remuneration of directors and key management personnel were as follows:

	2018		2017	
Management and directors' fees	\$	227,382	\$	179,819
Share-based compensation		1,218,766		26,695
Management fees - former director of the Company		78,251		-
Total	\$	1,524,399	\$	206,514

Due to related parties

As of December 31, 2018, the Company has a payable of \$Nil (2017 - \$72,033) due to directors of the Company.

The outstanding amounts are non-interest bearing, unsecured and due on demand.

Loan receivable from related party

As of December 31, 2018, the Company has a loan of \$nil (2017 - \$63,577) receivable from a director of the Company (Note 7).

Loan payable to related parties

As of December 31, 2018, the Company has a loan of \$47,000 (2017 - \$47,000) payable to a significant shareholder which is non-interest bearing, unsecured, and due on demand. As of December 31, 2018, the Company has a loan of \$413,563 (KRW 339,660,102) (2017 - \$Nil) payable to the CEO of the Company which bears interest at 4.6% per annum, unsecured, and due on demand (Note 12).

12. LOANS PAYABLE

The following table summarizes the principal and interest amount in loans payable:

	2018		2017	
Loans payable, unsecured:				
Non-interest bearing, unsecured and due on demand (Note 11)	\$	47,000	\$	47,000
Interest at 4.6% per annum, unsecured and due on demand (Note 11)		413,563		-
Interest at 5% per annum, unsecured and due on demand		251,226		230,214
Interest at 10% per annum, unsecured and due on demand		215,240		188,301
Total	\$	927,029	\$	465,515

During the year ended December 31, 2018, the Company recorded interest expenses of \$30,350 (2017 - \$28,458).

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13. SEVERANCE LIABILITIES

Under Korean law, the Company is required to either pay employees a severance amount at termination or contribute to a pension scheme. During the year ended December 31, 2016, the Company applied to begin making contributions to a pension scheme. The severance liability is the amount that remains payable by the Company to its employees at the time of termination and is based on a specified percentage of wages paid to date for past services.

As of December 31, 2018, the Company has a carrying balance of severance liabilities of \$208,102 (2017 - \$163,760). During the year ended December 31, 2018, the Company recognized \$66,598 (2017 - \$52,930) in severance expenses.

14. LONG-TERM LOAN PAYABLE

	2018
Balance, beginning	\$ -
Additions	798,135
Effect of foreign exchange	17,049
Balance, ending	\$ 815,184

During the year ended December 31, 2018, the Company assumed a loan payable to the Industrial Bank of Korea ("IBK") to fund the land purchase agreement with KLHC (Note 9).

The loan terms are as follows:

- Interest rate of 3.3% per year;
- Loan amount shall consist of 5 instalments of \$403,920 (KRW 330,000,000) and the sixth instalment of \$410,040 (KRW 335,000,000) starting on June 12, 2018 where the balance shall be covered by the Company;
- The Company shall pay interest only for the first 3 years and principle plus interest for the following 5 years; and
- If the Company defaults and does not proceed with land purchase, IBK shall be paid by KLHC.

During the year ended December 31, 2018, the Company recorded interest expenses of \$7,617 (2017 - \$nil).

15. SHARE CAPITAL*Authorized:*

Unlimited number of common shares without par value.

Issued:

During the year ended December 31, 2018, the Company issued 3,549,380 common shares related to the exercise of stock options for gross proceeds of \$1,419,752.

During the year ended December 31, 2017, common shares were issued as follows:

On May 12, 2017, concurrent with the Transaction, the Company issued 5,100,000 common shares of the Company at a price of \$0.4054 (KRW 333.33) per share for proceeds of \$2,067,264.

On May 24, 2017, the Company issued 3,790,680 common shares as consideration of the success fee in connection with a service agreement with the fair value of \$904,862 (Note 3).

On May 26, 2017, the Company issued 1,500,000 common shares at a price of \$0.4004 (KRW 333.33) per share for proceeds of \$600,598.

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16. SHARE-BASED COMPENSATION**Stock options**

The Company has established a stock option plan under which common share purchase options may be granted to directors, officers, employees and consultants. The maximum number of shares available for options issuable under the stock option plan is 10% of the Company's common shares outstanding. Options granted have an exercise price of the Company's prior day closing price quoted on the Exchange for the common shares of the Company.

A summary of stock options activities are as follows:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	3,790,680	\$ 0.40	-	\$ -
Granted	4,650,000	0.71	3,790,680	0.40
Exercised	(3,549,380)	0.40	-	-
Expired	(241,300)	0.40	-	-
Balance, ending	4,650,000	\$ 0.71	3,790,680	\$ 0.40

On November 27, 2017, in connection with the Transaction (Note 3), the Company granted stock options to agents to acquire 3,790,680 common shares at a price of \$0.40 per share for a period of one year following the grant date. The fair value of stock options is \$533,598 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of one year; risk-free interest rate of 1.42%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 90%.

On March 1, 2018, the Company granted 125,000 stock options to an officer of the Company with an exercise price of \$1.02 per share for a period of two years following the grant date with 25,000 options vesting immediately and the balance on March 1, 2019. The fair value of stock options is \$78,917 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of two years; risk-free interest rate of 1.71%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 122.18%.

On April 2, 2018, the Company granted 125,000 options with an exercise price of \$1.09 per share for a period of two years. Out of the stock options granted, 25,000 vested immediately with the remaining vesting on April 1, 2019. The fair value of stock options is \$135,352 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of two years; risk-free interest rate of 1.77%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 274.55%.

On April 11, 2018, the Company granted to the directors, employees, officers, and consultants 4,150,000 options with an exercise price of \$0.69 per share for a period of two years. The fair value of stock options is \$2,920,867 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of two years; risk-free interest rate of 1.85%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 275.29%.

On September 4, 2018, the Company granted to a director an aggregate of 250,000 options, which vested immediately for a two years term at an exercise price of \$0.75 per share. The fair value of stock options is \$190,558 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of two years; risk-free interest rate of 2.05%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 277.46%.

During the year ended December 31, 2018, 3,549,380 stock options were exercised at an exercise price of \$0.40 per share.

For the year ended December 31, 2018, the Company recognized stock-based compensation expense of \$3,244,662 (2017 - \$Nil) relating to the stock options that vested during the year.

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16. SHARE-BASED COMPENSATION (continued)

The following summarizes information about stock options outstanding and exercisable at December 31, 2018:

Expiry date	Options outstanding	Options exercisable	Exercise Price	Weighted average remaining contractual life, in years
March 1, 2020	125,000	25,000	\$ 1.02	1.17
April 2, 2020	125,000	25,000	1.09	1.25
April 11, 2020	4,150,000	4,150,000	0.69	1.28
September 4, 2020	250,000	250,000	0.75	1.68
	4,650,000	4,450,000	\$ 0.71	1.30

17. PREFERRED SHARE LIABILITIES*Preferred shares*

The Company is authorized to issue an unlimited number of the preferred shares with par value of \$0.02 (KRW 20.83) per share. The preferred shares entitle each holder a voting right and the preference on the dividends and the distribution of assets over the holder of common shares. The preferred shares are cumulative, redeemable, and convertible.

Preferred share dividends are declared upon the Company's discretion or is paid at USD 0.011 per share if the Company declares bankruptcy. As at December 31, 2016, the Company was not obligated to declare or pay any dividends.

Each preferred share is redeemable for cash at the original subscription price of the preferred share under certain conditions including a demand from the investor if the Company had failed to use the funds for their intended purpose or on the tenth anniversary of the preferred share issued. Each preferred share automatically converts into one common share on the tenth anniversary of the issuance date.

Preferred shares (continued)

The Company issued 2,400,000 preferred shares at USD 0.125 per share during the year ended December 31, 2006 and 2,727,264 preferred shares at USD 0.183 per share during the year ended December 31, 2012.

During the year ended December 31, 2016, the CEO of the Company, a preferred share holder, converted 2,400,000 preferred shares issued in 2006 to 2,400,000 common shares of the Company. The Company recorded a transfer of \$500,410 to share capital from preferred share liabilities.

During the year ended December 31, 2017, in connection with the Transaction, the Company converted 2,727,264 preferred shares into common shares and recorded a transfer of \$651,573 to share capital from preferred share liabilities.

The preferred shares are convertible in USD which differs from the Company's functional currency. Accordingly, this conversion right is a derivative financial instrument. The Company has elected to measure the entire liability at fair value through profit or loss determined based on the value of the conversion right plus the discounted value of the conversion price. The Company estimated the discounted value of the conversion price using a discount rate of 20% based on the market discount rate for similar unsecured debt instruments.

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17. PREFERRED SHARE LIABILITIES (continued)

The fair value of the conversion rights were determined using the Black-Scholes option pricing model with the following assumptions:

- The share price was based upon the fair value of the share price at the time of the issuance;
- The risk-free interest rate assumption is based at 1% consistent with the expected term of the option in effect at the time of the grant;
- The Company does not pay dividends on common shares and does not anticipate paying dividends on its common shares in the foreseeable future. Therefore, the expected dividend rate was 0%;
- The expected life of the preferred shares was estimated to be the difference between the valuation date and the remaining contractual term; and
- The expected volatility was based off of the historical shares prices of the Company's common share price over a period equivalent to the expected life of the warrants.

The fair value of the preferred shares issued during 2012 as at November 27, 2017 and December 31, 2016 were estimated using discounted cash flows and the Black-Scholes Option Pricing Model using the following inputs:

Expiration Date	December 31, 2017	December 31, 2016
Fair value of conversion price per share	\$ 5.58	\$ 2.17
Discount rate	20%	20%
Fair value of conversion right per share	\$ 0.15	\$ 3.53
Expected volatility	75%	75%
Expected life	1 day	5.50 years
Dividends	0.00%	0.00%
Risk-free interest rate	1.25%	2.00%
Total fair value per share	\$ 5.73	\$ 5.70

18. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Korean corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2018	2017
Net loss	\$ (6,589,393)	\$ (4,777,501)
Statutory tax rate	27%	26%
Expected income tax recovery	(1,778,000)	(1,242,000)
Non-deductible expenditures	960,000	780,000
Acquisition of BP Korea	-	(158,000)
Foreign exchange	(147,000)	(10,000)
Change in unrecognised deferred assets	982,000	583,000
Other	(17,000)	(53,000)
Actual income tax recovery	\$ -	\$ -

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18. INCOME TAXES (continued)

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	December 31, 2018	December 31, 2017
Deferred income tax assets		
Non-capital losses carried forward	\$ 3,049,000	\$ 1,444,000
Property equipment	(7,000)	8,000
Unrecognized deferred tax assets	(3,042,000)	(1,452,000)
Net deferred income tax assets	\$ -	\$ -

As at December 31, 2018, the Company has income tax loss carry forwards of approximately \$12,103,000 to reduce future taxable income which expire between 2020 and 2038.

19. SUBSEQUENT EVENTS

- a) On February 28, 2019, the Company's wholly owned subsidiary, BP Korea issued 96,404 shares for proceeds of \$1,103,749.
- b) The Company granted 5,700,000 stock options. The options are exercisable at a price of \$0.38 cents per share 3 years.