

**BIOCURE TECHNOLOGY INC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**(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 consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, 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 audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 to the financial statements, which indicates that the Company has an accumulated deficit of \$22,907,714 as at December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by \$1,977,991. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 Steven Reichert.

**DMCL**

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

April 28, 2020



An independent firm  
associated with Moore  
Global Network Limited

**Biocure Technology Inc.**

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Note	2019	2018
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 132,439	\$ 108,616
Receivables	4	88,623	32,708
Prepaid expenses	5	1,768	19,857
Inventory	6	11,541	20,708
		<u>234,371</u>	<u>181,889</u>
<b>Non-current</b>			
Equipment	8	107,424	164,819
Intangible asset		1,633	2,026
Deposits	5	42,580	30,762
Investments in KWULP and KWUC	3	1,967,354	1,969,633
Land deposit	9	2,221,734	1,275,254
<b>TOTAL ASSETS</b>		<u>\$ 4,575,096</u>	<u>\$ 3,624,383</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10	\$ 1,108,497	\$ 772,757
Loans payable	12	870,770	927,029
Severance liabilities	13	233,095	208,102
		<u>2,212,362</u>	<u>1,907,888</u>
<b>Non-current</b>			
Loan payable	14	1,498,500	815,184
Convertible Debenture	15	1,281,470	-
		<u>4,992,332</u>	<u>2,723,072</u>
<b>Shareholders' equity</b>			
Share capital	16	16,984,641	16,984,641
Accumulated other comprehensive loss		(526,630)	(657,064)
Reserve for stock options and warrants	17	6,159,079	4,581,092
Deficit		<u>(22,907,714)</u>	<u>(20,007,358)</u>
Total parent shareholders' equity		(290,624)	901,311
Non-controlling interests	18	<u>(126,612)</u>	<u>-</u>
Total shareholders' equity		<u>(417,236)</u>	<u>901,311</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>\$ 4,575,096</u>	<u>\$ 3,624,383</u>

**Nature of operations and going concern** (Note 1)**Commitments** (Notes 9 and 13)**Approved on behalf of the Board on April 28, 2020:**"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, 2019 and 2018

(Expressed in Canadian Dollars)

	Note	2019	2018
<b>EXPENSES</b>			
Amortization	8	\$ 44,815	\$ 51,885
Consulting		357,313	143,227
Director and management fees		61,258	57,500
Filing fees		38,793	88,869
Finance costs		7,653	-
General and administrative		171,635	80,304
Interest	12,14	129,275	37,967
Motor vehicle expenses		18,379	23,565
Payroll	11	407,243	961,325
Professional fees		164,670	105,551
Rent		77,674	57,931
Research and development		1,415,918	1,362,880
Royalty expense		-	1,060
Share-based compensation	11,17	1,577,987	3,244,662
Supplies		16,265	18,336
Travel and entertainment		238,749	251,794
Utilities		5,111	4,988
		<u>(4,732,738)</u>	<u>(6,491,844)</u>
<b>OTHER INCOME (EXPENSES)</b>			
Donation		-	(2,944)
Foreign exchange gain (loss)		(57,358)	287
Interest income		1,158	5,852
Loss on valuation of marketable securities		(1,970)	-
Write-off of loans receivable	7	-	(97,744)
		<u>(58,170)</u>	<u>(94,549)</u>
<b>NET LOSS FOR THE YEAR</b>		<b>\$ (4,790,908)</b>	<b>\$ (6,586,393)</b>
Loss attributable to the shareholders of the Company		(4,740,046)	(6,586,393)
Loss attributable to non-controlling interest		(50,862)	-
		<u>\$ (4,790,908)</u>	<u>\$ (6,586,393)</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Foreign currency translation		136,124	(57,178)
Attributable to the shareholders of the Company		130,434	(57,178)
Attributable to non-controlling interest	18	5,690	-
		<u>\$ 136,124</u>	<u>\$ (57,178)</u>
<b>COMPREHENSIVE LOSS</b>		<b>(4,654,784)</b>	<b>(6,643,571)</b>
Attributable to the shareholders of the Company		(4,609,612)	(6,643,571)
Attributable to non-controlling interest	18	(45,172)	-
		<u>\$ (4,654,784)</u>	<u>\$ (6,643,571)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>		<b>\$ (0.05)</b>	<b>\$ (0.07)</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING –</b>			
<b>BASIC AND DILUTED</b>		<u>96,937,001</u>	<u>95,791,430</u>

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, 2019 and 2018

(Expressed in Canadian Dollars)

	<b>Attributable to the shareholders of the Company</b>						
	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Reserve For Stock Options and Warrants</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Deficit</b>	<b>Non- controlling interest</b>	<b>Total</b>
<b>December 31, 2017</b>	93,387,621	\$ 15,065,257	\$ 1,836,062	\$ (599,886)	\$ (13,420,965)	\$ -	\$ 2,880,468
Issuance of shares for options exercised (Note 16)	3,549,380	1,919,384	(499,632)	-	-	-	1,419,752
Share-based compensation (Note 17)	-	-	3,244,662	-	-	-	3,244,662
Net loss	-	-	-	-	(6,586,393)	-	(6,586,393)
Other comprehensive loss	-	-	-	(57,178)	-	-	(57,178)
<b>December 31, 2018</b>	96,937,001	\$ 16,984,641	\$ 4,581,092	\$ (657,064)	\$ (20,007,358)	\$ -	\$ 901,311
Issuance of shares in subsidiary (Note 18)	-	-	-	-	1,839,690	(81,440)	1,758,250
Share-based compensation (Note 17)	-	-	1,577,987	-	-	-	1,577,987
Net loss	-	-	-	-	(4,740,046)	(50,862)	(4,790,908)
Other comprehensive income	-	-	-	130,434	-	5,690	136,124
<b>December 31, 2019</b>	96,937,001	\$ 16,984,641	\$ 6,159,079	\$ (526,630)	\$ (22,907,714)	\$ (126,612)	\$ (417,236)

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, 2019 and 2018

(Expressed in Canadian Dollars)

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (4,790,908)	\$ (6,586,393)
Non-cash items:		
Amortization	44,815	51,885
Finance costs	-	-
Interest	94,373	28,087
Share-based compensation	1,577,987	3,244,662
Write-off of loans receivable	-	97,744
Changes in non-cash working capital items:		
Receivable	(57,892)	7,739
Prepaid expenses and deposits	3,553	136,752
Inventory	7,580	10,652
Accounts payable and accrued liabilities	437,163	419,873
Net cash used in operating activities	<u>(2,683,329)</u>	<u>(2,588,999)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(40,982)
Purchase of intangible assets	-	(2,250)
Payment of deposit for land purchase	(1,049,625)	(895,568)
Loan receivable	-	(34,151)
Net cash used in investing activities	<u>(1,049,625)</u>	<u>(972,951)</u>
<b>FINANCING ACTIVITIES</b>		
Due to related parties	-	399,996
Proceeds from options exercised	-	1,419,752
Proceeds from subsidiary shares issued	1,758,250	-
Loans payable	711,236	784,306
Convertible debentures	1,222,760	-
Net cash provided by financing activities	<u>3,692,246</u>	<u>2,604,054</u>
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH</b>	64,531	(16,835)
<b>NET CHANGE IN CASH</b>	23,823	(974,731)
<b>CASH, BEGINNING OF THE YEAR</b>	<u>108,616</u>	<u>1,083,347</u>
<b>CASH, END OF THE YEAR</b>	<u>\$ 132,439</u>	<u>\$ 108,616</u>

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, 2019 and 2018  
(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Biocure Technology Inc. (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, 2019, 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 \$1,977,991. 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. As at December 31, 2019, the Company has not earned significant revenue and has an accumulated deficit of \$22,907,714. 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:

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<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Ownership</b>	<b>Principle Activities</b>
Biocurepharm Corporation (“BP Korea”)	Korea	95.82%	Biopharmaceutical

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**Biocure Technology Inc.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**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, 2019, 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, 2019, the Company has not capitalized any development expenditures.

**Biocure Technology Inc.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**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:

<b>Class of equipment</b>	<b>Rate</b>
Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Testing equipment	5 years
Vehicles	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.

**Biocure Technology Inc.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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

**Financial instruments***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.

*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).

*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.

**Biocure Technology Inc.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)***Impairment of financial assets at amortized cost (continued)*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.

**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.

**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.

**Biocure Technology Inc.**

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****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, 2019, the Company had no potentially dilutive shares outstanding.

**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.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currency translation (continued)**

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 adopted***New standard IFRS 16 “Leases”*

On January 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 “Leases” and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company’s financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize an ROU asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions represent leases. The Company applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or changed, on or after January 1, 2019.

The Company used the following additional practical expedients:

- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;
  - Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

The lease payments associated with short term leases are \$3,627 (KRW 3,187,000) per month up to October 31, 2019, \$6,046 (KRW 5,311,800) starting November 1, 2019. For the year ended December 31, 2019 the Company reported \$77,674 (KRW 22,163,496) as lease expense on short term leases.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

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**3. 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, 2019, KWULP’s interest has declined to 34.06%.

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, 2019.

**4. RECEIVABLES**

The Company’s receivables are wholly comprised of refundable value-added tax. As of December 31, 2019, the Company had \$88,623 (2018 - \$32,708) in receivables.

**5. PREPAID EXPENSES AND DEPOSITS**

		<b>2019</b>		<b>2018</b>
Current:				
Prepaid expenses	\$	1,768	\$	19,857
Non-current:				
Deposits		42,580		30,762
<b>Total</b>	<b>\$</b>	<b>44,348</b>	<b>\$</b>	<b>50,619</b>

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**6. INVENTORY**

The Company's inventory is comprised of finished products (biosimilar) and raw materials (microneedle). As of December 31, 2019, the Company had \$11,541 (December 31, 2018 - \$20,708) in inventory.

**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**

	<b>Furniture and Fixtures</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Testing Equipment</b>	<b>Total</b>
<b>Cost:</b>					
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
Additions	-	-	-	-	-
Effect of foreign exchange	(4,306)	(667)	(839)	(50,045)	(55,857)
At December 31, 2019	\$ 50,133	\$ 7,581	\$ 9,957	\$ 587,012	\$ 654,683
<b>Amortization:</b>					
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
Charge for the year	4,818	-	426	39,339	44,583
Effect of foreign exchange	(2,669)	(667)	(839)	(38,870)	(43,045)
At December 31, 2019	\$ 36,025	\$ 7,581	\$ 9,957	\$ 493,696	\$ 547,259
<b>Net book value:</b>					
At December 31, 2018	\$ 20,563	\$ -	\$ 426	\$ 143,830	\$ 164,819
At December 31, 2019	\$ 14,108	\$ -	\$ -	\$ 93,316	\$ 107,424



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**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 title of the land transfers to the Company upon completion of the scheduled payments. During the year ended December 31, 2019 the Company made payments of KRW 933,000,000 (\$1,049,625) including KRW 89,000,000 against the June 12, 2020 payment leaving a remaining balance of KRW 768,313,230 (\$864,352). The payment schedule is as follows:

<b>Date</b>	<b>KRW</b>	<b>\$</b>
December 12, 2017 (paid)	281,395,000	344,427
June 12, 2018 (paid)	422,555,000	517,207
December 12, 2018 (paid)	422,000,000	516,528
June 12, 2019 (paid)	422,000,000	516,528
December 12, 2019 (paid)	422,000,000	516,528
June 12, 2020	427,908,000	481,396
December 12, 2020	429,405,230	483,081
	<b>2,827,263,230</b>	<b>3,375,695</b>

If the Company defaults and does not proceed with the purchase, the initial payment of \$344,427 (KRW 281,395,000) shall be forfeited. The Company has made total payment of KRW 2,058,950,000 (\$2,276,497), including \$54,763 in foreign currency adjustment.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2019</b>	<b>2018</b>
Accounts payable	\$ 1,048,025	\$ 713,759
Accrued liabilities	41,470	37,774
Payroll liabilities	19,002	21,224
	<b>\$ 1,108,497</b>	<b>\$ 772,757</b>

**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:

	<b>2019</b>	<b>2018</b>
Management and directors' fees	\$ 324,067	\$ 227,382
Share-based compensation	752,447	1,218,766
Management fees - former director of the Company	-	78,251
Total	<b>\$ 1,076,514</b>	<b>\$ 1,524,399</b>

**Loan payable to related parties**

As of December 31, 2019, the Company has a loan of \$47,000 (2018 - \$47,000) payable to a significant shareholder which is non-interest bearing, unsecured, and due on demand. As of December 31, 2019, the Company has a loan of \$337,813 (KRW 300,052,470) (2018 - \$413,563 (KRW 339,660,102)) payable to the CEO of the Company which bears interest at 4.6% per annum, unsecured, and due on demand (Note 12).

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**12. LOANS PAYABLE**

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

	<b>2019</b>	<b>2018</b>
<b>Loans payable, unsecured:</b>		
Non-interest bearing, unsecured and due on demand (Note 11)	\$ 47,000	\$ 47,000
Non-interest bearing, unsecured and due on demand	24,750	-
Interest at 4.6% per annum, unsecured and due on demand (Note 11)	337,812	413,563
Interest at 5% per annum, unsecured and due on demand	242,707	251,226
Interest at 10% per annum, unsecured and due on demand	218,501	215,240
<b>Total</b>	<b>\$ 870,770</b>	<b>\$ 927,029</b>

During the year ended December 31, 2019, the Company recorded interest expense of \$50,142 (2018 - \$30,350).

**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, 2019, the Company has a carrying balance of severance liabilities of \$233,095 (2018 - \$208,102). During the year ended December 31, 2019, the Company recognized \$59,261 (2018 - \$66,598) in severance expenses.

**14. LONG-TERM LOAN PAYABLE**

	<b>2019</b>	<b>2018</b>
<b>Balance, beginning</b>	\$ 815,184	\$ -
Additions	749,250	798,135
Effect of foreign exchange	(65,934)	17,049
<b>Balance, ending</b>	<b>\$ 1,498,500</b>	<b>\$ 815,184</b>

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, 2019 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, 2019, the Company recorded and paid interest expense of \$32,795 (2018 - \$7,617).

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**15. CONVERTIBLE DEBENTURE**

During the year ended December 31, 2019, the Company issued \$1,222,760 (KRW 1,100,000,000) in convertible debentures. The convertible debenture bears a three per cent interest rate, have a term of ten years, and are convertible into common shares of the Company's subsidiary BP Korea at \$12.25 per share three years after the issuance of the convertible debenture. If any common shares of the company are issued or sold for a price less than \$12.25 per common share the conversion price will be adjusted downward to the price of such issuance. The adjustment to the conversion price is considered a derivative as it changes in relation to the share price of the Company and does not meet the fixed for fixed criteria. The Company has elected to measure the instrument at FVTPL. On inception, the fair value of the instrument was determined to be the transaction amount, as the debt was issued shortly before year end no adjustment to the fair value was made as the fair value equated to the carrying amount.

The proceeds from the issuance were allocated as follows:

	<b>Debenture</b>
<b>Balance at December 31, 2018</b>	\$ -
Proceeds	1,222,760
Interest	36,835
Effect of FX	21,875
<b>Balance at December 31, 2019</b>	<b>\$ 1,281,470</b>

**16. SHARE CAPITAL***Authorized:*

Unlimited number of common shares without par value.

*Issued:*

During the year ended December 31, 2019, the Company did not issue any new shares.

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.

**17. 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.

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**17. SHARE-BASED COMPENSATION (continued)**

A summary of stock options activities are as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning	4,650,000	\$ 0.71	3,790,680	\$ 0.40
Granted	5,700,000	0.38	4,650,000	0.71
Cancelled	(3,415,000)	0.71	-	-
Exercised	-	-	(3,549,380)	0.40
Forfeited	(635,000)	0.77	(241,300)	0.40
Balance, ending	6,300,000	\$ 0.69	4,650,000	\$ 0.71

On April 11, 2019, the Company granted to the directors, employees, officers, and consultants 5,700,000 options with an exercise price of \$0.38 per share for a period of three years. 4,366,200 of the granted options vested immediately, subject to a four-month hold period in accordance with the policies of the Canadian Securities Exchange, with the remainder of the options vesting on April 11, 2020. The fair value of stock options is \$1,675,326 estimated using the Black-Scholes option pricing model with the following assumptions: an expected life of three years; risk-free interest rate of 1.60%; a forfeiture rate of 0%; dividend yield of 0%; and volatility of 138.00%.

During the year ended December 31, 2019, the Company cancelled 3,040,000 options with an exercise price of \$0.71 per share expiring on April 11, 2020, 125,000 options with an exercise price of \$1.02 expiring on March 1, 2020 and 250,000 options with an exercise price of \$0.75 expiring on August 31, 2020.

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.

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**17. SHARE-BASED COMPENSATION****Stock options (continued)**

For the year ended December 31, 2019, the Company recognized stock-based compensation expense of \$1,577,987 (2018 - \$3,244,662) relating to the stock options that vested during the year.

The following summarizes information about stock options outstanding and exercisable at December 31, 2019:

<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise Price</b>	<b>Weighted average remaining contractual life, in years</b>
April 11, 2020	600,000	600,000	\$ 0.69	0.28
April 11, 2021	600,000	600,000	0.38	1.28
April 11, 2022	5,100,000	3,930,000	0.38	2.28
	6,300,000	5,130,000	\$ 0.41	1.99

**18. NON-CONTROLLING INTERESTS**

At December 31, 2019, the Company owned 95.82% interest in its Korean subsidiary BiocurePharm. The remaining 4.18% of BP Korea shares were issued in non-brokered private placements throughout the year to third-party investors. Prior to these private placements, the Company owned a 100% interest in BP Korea.

Set out below is summarized financial information for the subsidiary before any inter-company eliminations:

<b>Summarized balance sheet</b>	<b>BiocurePharm Incorp.</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 169,826	\$ 763,219
Current liabilities	2,252,987	3,322,953
Current net assets	(2,083,161)	(2,559,734)
Non-current assets	2,375,198	1,485,223
Non-current liabilities	3,457,812	651,573
Non-current net assets	(1,082,614)	833,650
Net assets	\$ (3,165,775)	\$ (1,726,084)
Accumulated NCI	\$ (126,612)	\$ -

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**18. NON-CONTROLLING INTERESTS (continued)**

Summarized statement of comprehensive income	BiocurePharm Incorp.	
	2019	2018
Operating expenses	\$ 2,507,160	\$ 2,253,273
Other income (expenses)	(58,170)	(4,262)
Net loss for the year	(2,565,331)	(2,257,535)
Other comprehensive income (loss)	136,124	(27,807)
Total comprehensive income (loss)	\$ (2,429,207)	\$ (2,285,342)
Comprehensive Loss allocated to NCI	\$ (45,172)	\$ -

**19. FINANCIAL INSTRUMENTS AND RISKS***Classification of financial instruments*

Financial assets included in the statement of financial position are as follows:

	December 31, 2019	December 31, 2018
Fair value through other comprehensive income (loss)		
Investments	\$ 1,967,354	\$ 1,969,633
	\$ 1,967,354	\$ 1,969,633

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2019	December 31, 2018
Fair value through profit or loss		
Non-derivative financial liabilities:		
Accounts payable	\$ 1,108,497	\$ 772,757
Loans payable	2,369,270	1,742,213
Convertible debenture	1,281,470	-
	\$ 4,759,237	\$ 2,514,970

*Fair value*

The Company has applied a three-level hierarchy to reflect the significance of the inputs used in making fair value measurements. The three levels of fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, neither directly or indirectly; and
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, loan receivable, accounts payable and accrued liabilities, loans payable, severance liability and convertible debentures. The fair value of these financial instruments, other than cash and convertible debentures, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

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**19. FINANCIAL INSTRUMENTS AND RISKS (continued)**

Financial liabilities measured at fair value consisted of convertible debentures, which are measured using level 3 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate and liquidity risk.

a) Credit risk

Credit risk is risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Korean financial institutions and is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

d) Foreign currency risk

The Company's functional currency is the South Korean Won and major transactions are in South Korean Wons. As of December 31, 2019, the Company had \$404,764 (2018 - \$94,822) in financial liabilities denominated in Canadian Dollars. The remaining values in financial assets and financial liabilities are denominated in South Korean Wons. Management believes that the foreign exchange risk related to currency conversion is minimal and therefore does not hedge its foreign exchange risk.

**20. CAPITAL MANAGEMENT**

The capital managed by the Company includes the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize its resources to fund the growth and development of its business, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets by seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. In order to maintain or adjust its capital structure, the Company considers all sources of financing reasonably available to it, including but not limited to the issuance of new capital, the issuance of new debt and the sale of assets in whole or in part.

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**21. 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:

	<b>2019</b>	<b>2018</b>
Net loss	\$ (4,790,908)	\$ (6,589,393)
Statutory tax rate	27%	27%
Expected income tax recovery	(1,294,000)	(1,778,000)
Non-deductible expenditures	477,000	960,000
Acquisition of BP Korea	-	-
Foreign exchange	226,000	(147,000)
Change in unrecognised deferred assets	554,000	982,000
Other	37,000	(17,000)
Actual income tax recovery	\$ -	\$ -

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Deferred income tax assets		
Non-capital losses carried forward	\$ 3,596,000	\$ 3,049,000
Property equipment	-	(7,000)
Unrecognized deferred tax assets	(3,596,000)	(3,042,000)
Net deferred income tax assets	\$ -	\$ -

As at December 31, 2019, the Company has income tax loss carry forwards of approximately \$14,237,000 to reduce future taxable income which expire between 2020 and 2039.

**22. OTHER LIABILITIES AND CONTINGENCIES**

On March 6, 2019 BiocurePharma Inc (BPK) received a notice that a lawsuit was filed with the court of Suwon District. Sehyun Pharma Co. ("SP") filed a compensation claim. On Jan. 23, 2017 SP and BPK signed an agreement for a take-over SP however later in the process terminated for business reasons. The plaintiffs are seeking damages for the termination of the contract. The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

**23. SUBSEQUENT EVENTS**

- a) On January 20, 2020 and March 16, 2020, the Company's wholly owned subsidiary, BP Korea issued 53,567 and 5,990 shares, respectively, for gross proceeds of \$662,892 and \$75,707, respectively.
- b) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on they Company's financial results.