BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2017 and September 30, 2016

(expressed in Canadian Dollars)

RSM

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bee Vectoring Technologies International Inc.

RSM Canada LLP

We have audited the accompanying consolidated financial statements of Bee Vectoring Technologies International Inc. and its subsidiary, which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position Bee Vectoring Technologies International Inc. and its subsidiary as at September 30, 2017 and September 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Bee Vectoring Technologies International Inc.'s ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 22, 2018
Toronto, Ontario

Bee Vectoring Technologies International Inc.
Consolidated Statements of Financial Position
(expressed in Canadian Dollars)

		September 30, 2017		September 30, 2016
ASSETS				
Current assets				
Cash	**$**	**824,312**	$	1,483,506
Sales tax and other receivable		**116,760**		46,281
Prepaid expense and deposits		**143,132**		114,492
		1,084,204		1,644,279
Intangible assets *(note 5)*		**768,601**		606,290
Moulds and dies *(note 6)*		**21,118**		37,378
Property, plant and equipment *(note 4)*		**243,896**		301,381
	$	**2,117,819**	$	2,589,328
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**298,735**	$	242,605
		298,735		242,605
Shareholders' equity (deficit)				
Share capital *(note 8)*		**9,090,738**		7,078,827
Warrants *(note 8, 9)*		**690,241**		666,010
Contributed surplus *(note 10)*		**1,325,064**		816,801
Accumulated other comprehensive income		**29,871**		-
Accumulated deficit		**(9,316,830)**		(6,214,915)
		1,819,084		2,346,723
	$	**2,117,819**	$	2,589,328

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS (Note 15)
SUBSEQUENT EVENTS (Note 17)

Approved by the Board of Directors

"Michael Collinson" — Director

"Jim Molyneux" — Director

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

Bee Vectoring Technologies International Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2017 and September 30, 2016
(expressed in Canadian Dollars)

		2017		2016
Expenses				
Office and general (*note 14*)	**$**	**1,536,602**	$	1,392,499
Investor and public relations		**437,191**		230,831
Sales, advertising and marketing		**99,457**		199,286
Share based payments (*note 10*)		**288,843**		227,484
Research and development		**684,754**		563,948
Loss before other items		**(3,046,846)**		(2,614,048)
Loss on foreign exchange		**(26,501)**		-
Loss on write-off of abandoned patents		**(33,389)**		-
Interest and other income		**4,822**		2,544
Net loss	**$**	**(3,101,915)**	$	(2,611,504)
Weighted average number of common shares outstanding - basic and diluted		**51,556,150**		45,655,134
Basic and diluted loss per common share (note 11)	**$**	**(0.06)**	$	(0.06)

		2017		2016
Net loss	**$**	**(3,101,915)**	$	(2,611,504)
Other comprehensive income				
Items that may be subsequently reclassified to earnings:				
Exchange differences on translating foreign operations		**29,871**		-
Comprehensive loss	**$**	**(3,072,044)**	$	(2,611,504)

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

Bee Vectoring Technologies International Inc.
Consolidated Statements of Cash Flows
For the years ended September 30, 2017 and September 30, 2016
(expressed in Canadian Dollars)
(unaudited)

	2017	2016
Cash used in operating activities		
Net loss	**$ (3,101,915)**	$ (2,611,504)
Items not affecting cash		
Share based payments	**288,843**	227,484
Loss on write-off of abandoned patents	**33,389**	-
Foreign exchange differences	**29,871**	-
Depreciation and amortization	**92,899**	82,654
	(2,656,913)	(2,301,366)
Net changes in non-cash working capital items		
Sales tax and other receivables	**(70,479)**	52,449
Prepaid expenses and deposits	**(28,640)**	49,330
Accounts payable and accrued liabilities	**56,131**	139,407
	(2,699,901)	(2,060,180)
Cash used in investing activities		
Additions to moulds and dies	**-**	(9,720)
Additions to intangibles	**(206,355)**	(250,173)
Landlord rebate received on leasehold improvements	**-**	35,000
Additions to property, plant and equipment	**(8,500)**	(95,635)
	(214,855)	(320,528)
Cash flow from financing activities		
Proceeds from the issue of shares and units	**2,212,900**	2,251,407
Share issue costs	**(103,764)**	(182,112)
Proceeds from exercise of options and warrants	**146,426**	219,436
Repayment of advances from related parties	**-**	(15,144)
	2,255,562	2,273,587
Decrease in cash	**(659,194)**	(107,121)
Cash and cash equivalents, beginning of year	**1,483,506**	1,590,627
Cash and cash equivalents, end of year	**$ 824,312**	$ 1,483,506

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

Supplemental cash flow information		
Stock based compensation	288,843	227,484
Interest received	4,822	2,544

Bee Vectoring Technologies International Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended September 30, 2017 and September 30, 2016

(expressed in Canadian Dollars)

	Share Capital							
	Number of shares	Amount	Advance share subscriptions	Warrants	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total
Balance, October 1, 2015	40,800,350	$ 4,622,284	$ 351,000	$ 447,124	$ 625,015	$ -	$ (3,603,411)	$ 2,442,012
Shares and units issued in connection with the private placement	6,754,560	2,381,932	(351,000)	220,475	-	-	-	2,251,407
Share issue costs related to the private placement - cash	-	(182,112)	-	-	-	-	-	(182,112)
Fair value of finders warrants issued in connection with the private placement	-	(69,401)	-	69,401	-	-	-	-
Stock based compensation	-	-	-	-	227,484	-	-	227,484
Shares issued on exercise of warrants	461,069	191,127	-	(70,990)	-	-	-	120,137
Shares issued on exercise of options	275,832	134,997	-	-	(35,698)	-	-	99,299
Net loss and comprehensive loss	-	-	-	-	-	-	(2,611,504)	(2,611,504)
Balance, September 30, 2016	**48,291,811**	**$ 7,078,827**	**$ -**	**$ 666,010**	**$ 816,801**	**$ -**	**$ (6,214,915)**	**$ 2,346,723**
Balance, October 1, 2016	48,291,811	$ 7,078,827	$ -	$ 666,010	$ 816,801	$ -	$ (6,214,915)	$ 2,346,723
Stock based compensation	-	-	-	-	288,843	-	-	288,843
Shares issued on exercise of warrants	151,460	60,935	-	(20,134)	-	-	-	40,801
Shares issued on exercise of options	422,500	187,319	-	-	(81,694)	-	-	105,625
Shares and units issued in connection with the private placement	9,636,000	1,898,759	-	314,141	-	-	-	2,212,900
Share issue costs related to the private placement - cash	-	(103,764)	-	-	-	-	-	(103,764)
Fair value of finders warrants issued in connection with the private placement	-	(31,338)	-	31,338	-	-	-	-
Expired warrants	-	-	-	(301,114)	301,114	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	29,871	(3,101,915)	(3,072,044)
Balance, September 30, 2017	**58,501,771**	**$ 9,090,738**	**$ -**	**$ 690,241**	**$ 1,325,064**	**$ 29,871**	**$ (9,316,830)**	**$ 1,819,084**

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

1. Nature of operations and going concern

Bee Vectoring Technologies International Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada on May 20, 2011. The Company is focused on the control of pests and enhancement of crops and ornamentals through the use of biological controls in a variety of application processes.

The Company commenced trading on the TSX Venture Exchange under the symbol BEE on July 7, 2015. The address of the Company's registered office is 4160 Sladeview Cres. #7, Mississauga, Ontario.

These consolidated financial statements were approved for issuance by the Board of Directors on January, 22, 2018.

Going concern assumption

These consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. To date the Company has not obtained its license under the Pest Management Regulatory Agency to sell its BioControl in Canada, and has not generated revenue from operations. During the year ended September 30, 2017, the Company incurred a net loss of $3,101,915 (2016 – $2,611,504), and as of that date, the Company's deficit was $9,316,830 (September 30, 2016 – $6,214,915). At September 30, 2017, the Company has current assets of $1,084,204 (September 30, 2016 - $1,644,279) and current liabilities of $298,735 (September 30, 2016 – $242,605) resulting in working capital of $785,469 (September 30, 2016 – ($1,401,674)).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability continue as a going concern in the foreseeable future. The consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these consolidated financial statements.

2. Basis of presentation

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective September 30, 2017.

b) Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

2. Basis of presentation (continued)

c) Significant accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimates

Intangible assets valuation for impairment purposes
The Company assesses impairment by comparing the recoverable amount of an intangible asset with its carrying value. The recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of the recoverable amount involves management estimates. The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods.

Useful life of moulds and dies
Significant estimates are made as to the useful lives of moulds and dies, which have been estimated to be five years.

Useful life of property, plant and equipment
Significant estimates are made as to the useful lives of property, plant and equipment.

Share-based payments
The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options and of common share purchase warrants issued. The model requires the input of subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and common share purchase warrants.

Judgements

Capitalization of development costs
Initial capitalization of development costs is based on management's judgment that technological and economic feasibility is confirmed, usually when the product development project has reached a defined milestone according to an established project management model.

Functional currency
In concluding on the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

2. Basis of presentation (continued)

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and those of its wholly-owned legal subsidiaries Bee Vectoring Technology Inc. (Canadian), and Bee Vectoring Technology USA Corp (United States) ("BVT USA").

The functional currency of the Company and BEE is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of BVT USA is the United States dollar.

All intercompany transactions and balances have been eliminated in preparing the consolidated financial statements.

3. Significant accounting policies

Intangible Assets
The Company has intangible assets consisting of legal costs related to the application of patents. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there are indications that the intangible asset may be impaired. Intangible assets which are not yet available for use are tested annually for impairment regardless of whether impairment indicators exist. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in statement of comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date the patent is granted and is available for use.

Moulds and Dies
Moulds and dies are recorded initially at cost and subsequently at cost less accumulated amortization and accumulated impairment losses (if any). Amortization is provided over the expected useful lives of the moulds and dies using the straight-line depreciation method. The moulds and dies have an expected useful life of 5 years.

Property, Plant and Equipment
Equipment and furniture are recorded initially at cost and subsequently at cost less accumulated amortization and accumulated impairment losses (if any). Amortization is provided over an asset's expected useful life using the following methods and annual rates:

Equipment	20 years	straight line
Computer	3 years	straight line
Office furniture	20 %	declining balance
Site equipment	20 %	declining balance
Telephone equipment	20 %	declining balance
Leasehold improvements		straight-line over life of lease

Residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively (if needed).

3. Significant accounting policies (continued)

Leasehold improvement allowance
Amounts received are recorded as a reduction of prior costs incurred.

Income Taxes
Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Share Capital
Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. For unit offerings, the Company has adopted the relative fair value method with respect to the measurement of shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair values of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from warrants to share capital. If the warrants expire unexercised, the applicable amount is transferred to contributed surplus.

Financial Instruments
Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired principally for the purpose of being resold in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

3. Significant accounting policies (continued)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

The Company has classified its cash and cash equivalents as loans and receivables.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities which are carried at amortized cost.

Impairment of non-financial assets
Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment. Other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in profit or loss for the period.

Stock option plan
The Company has a stock option plan (the "Plan") which is discussed in note 10. The Company uses the fair value-based method of accounting for stock-based compensation arrangements.

Share based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity cannot be specifically measured, the equity instruments are measured at fair value of the equity instrument. The fair value of the equity instruments is recognized together with a corresponding increase in equity over the period that services are provided or goods are received.

3. Significant accounting policies (continued)

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Foreign operations and currency translation
Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The accounts of the Company are presented in Canadian dollars. The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

Loss per share
The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares.

Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. As the potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2017 and September 30, 2016.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

3. Significant accounting policies (continued)

• Finance lease Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payment s of the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

• Operational lease Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the income statement on a straight –line basis over the period of the lease.

Accounting Standards Issued But Not Yet Applied
The Company has reviewed changes to accounting standards that become effective in future periods. Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below:

IFRS 9, Financial Instruments ("IFRS 9") was updated and re-issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective for period's beginning on or after January 1, 2018.

IFRS 2 Share based payments, the amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date is for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 – Leases, effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees.

The Company is in the process of evaluating the impact that these new policies may have on the financial statements.

(expressed in Canadian dollars)

4. Property, plant and equipment

	Equipment	Computer	Office furniture	Site equipment	Leasehold improvements	Telephone Equipment	Total
Cost							
As at September 30, 2015	$ 6,299	$ 1,352	$ 5,163	$ 260,238	$ 63,130	$ 16,280	$ 352,462
Additions	-	3,322	7,304	79,822	5,187	-	95,635
Allowances					(35,000)	-	(35,000)
As at September 30, 2016	6,299	4,674	12,467	340,060	33,317	16,280	413,097
Additions	-	-	-	3,200	5,300	-	8,500
As at September 30, 2017	$ 6,299	$ 4,674	$ 12,467	$ 343,260	$ 38,617	$ 16,280	$ 421,597
Accumulated depreciation							
As at September 30, 2015	$ 880	$ 902	$ 516	$ 27,952	$ 11,386	$ 2,713	$ 44,349
Additions	315	1,004	1,972	54,440	6,923	2,713	67,367
As at September 30, 2016	1,195	1,906	2,488	82,392	18,309	5,426	111,716
Additions	315	1,558	1,996	52,174	7,771	2,171	65,985
As at September 30, 2017	$ 1,510	$ 3,464	$ 4,484	$ 134,566	$ 26,080	$ 7,597	$ 177,701
Net book value							
As at September 30, 2016	$ 5,104	$ 2,768	$ 9,979	$ 257,668	$ 15,008	$ 10,854	$ 301,381
As at September 30, 2017	$ 4,789	$ 1,210	$ 7,983	$ 208,694	$ 12,537	$ 8,683	$ 243,896

5. Intangible assets

Intangible assets consist of legal fees incurred towards the registration of various patents as follows:

	Patents
Cost	
As at September 30, 2015	$ 356,117
Additions	250,173
As at September 30, 2016	606,290
Additions	206,355
Write-off of abandoned patents	(33,389)
As at September 30, 2017	$ 779,256
Accumulated amortization	
As at September 30, 2015	$ -
Additions	-
As at September 30, 2016	-
Additions	10,655
As at September 30, 2017	$ 10,655
Net book value	
As at September 30, 2016	$ 606,290
As at September 30, 2017	$ 768,601

(expressed in Canadian dollars)

6. Moulds and dies

Cost		
As at September 30, 2015	$	71,576
Additions		9,720
As at September 30, 2016		81,296
Additions		-
As at September 30, 2017	$	81,296
Accumulated depreciation		
As at September 30, 2015	$	28,631
Additions		15,287
As at September 30, 2016		43,918
Additions		16,260
As at September 30, 2017	$	60,178
Net book value		
As at September 30, 2016	$	37,378
As at September 30, 2017	$	21,118

7. Related party balances and transactions

Key management includes members of the board, the Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the years ended September 30, 2017 and September 30, 2016:

	2017	2016
CEO fees (i)	**$ 362,136**	$ 135,000
CFO fees (ii)	**30,000**	30,000
Consulting fees charged by a Chelsian Sales & Service (iii)	**83,875**	-
Consulting fees charged Flueckiger Consulting (iv)	**48,398**	85,655
Share based payments	**176,646**	106,588
	$ 701,055	$ 357,243

(i) Salary and/or consulting fees paid to the CEO for services rendered.
(ii) Consulting fees charged by CFO Advantage Inc, a corporation owed by the CFO of the Company, for services of the Chief Financial Officer.
(iii) Consulting fees charged by Chelsian Sales & Service Inc, a corporation owned by a director, for assisting with day-to-day operations. As at September 30, 2017 $25,593 (2016 –$nil) was owed to Chelsian Sales and Service Inc.
(iv) Consulting fees charged by Flueckiger Consulting, a corporation owned by a director of the Company, for reviewing product development and marketing plans, reviewing data from trials, and other services as required.
(v) $18,000 (2016 - $3,000) was charged by the daughter of a director of the Company for marketing services.
(vi) The Company employs the son of a director of the Company as project manager. During the year ended September 30, 2017, the employee earned a salary and benefits of $67,200 (2016 - $54,660).

(expressed in Canadian dollars)

8. Share capital

Authorized - Unlimited number of common shares without par value
Issued and outstanding

	Share capital	Value
Common shares		
Balance September 30, 2015	40,800,350	$4,622,284
Shares issued in connection with the private placement (i)(ii)	6,754,560	2,602,407
Share issue costs related to the private placement - cash (i)(ii)	-	(182,112)
Fair value of finders warrants issued in connection with the private placement (i)(ii)	-	(69,401)
Fair value of warrants issued in connection with the private placement (ii)	-	(220,475)
Common shares issued on the exercise of warrants (iii)	461,069	191,127
Common shares issued on the exercise of options (iv)	275,832	134,997
Balance September 30, 2016	48,291,811	$7,078,827
Shares issued in connection with the private placement (v)(vi)(vii)	9,636,000	1,898,759
Share issue costs related to the private placement - cash (v)(vi)(vii)	-	(103,764)
Fair value of finders warrants issued in connection with the private placement (v)(vi)(vii)	-	(31,338)
Common shares issued on exercise of options (viii)	422,500	187,319
Common shares issued on the exercise of warrants (ix)	151,460	60,935
Balance September 30, 2017	58,501,771	$9,090,738

(i) The Company completed a non-brokered private placement in two tranches (October 22, 2015 and November 5, 2015) through the sale and issuance of 3,973,575 common shares of the Company at a price of $0.27 per Share for gross proceeds of $1,072,865 (the "Offering"). $351,000 of proceeds were received prior to September 30, 2015, and recorded as subscriptions received in advance. The Company paid commissions to finders under the

Offering consisting of cash fees of $85,344 and the issue of 293,000 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of $0.27 per Share until April 22, 2017. The Finder's Warrants were valued at $38,676 using the Black-Scholes option pricing model using the following assumptions: Term – 1.5 years; Volatility – 107%; Interest rate – 0.52%.

(ii) On June 16, 2016, the Company completed a non-brokered private placement of 2,780,985 units of the Company at a price of $0.55 per unit for gross proceeds of $1,529,543. Each unit consisted of one common share and one half of one common share purchase warrant ("Unit"). Each whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share at a price of $0.80 per common share until June 16, 2018, subject to the Company's right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds $1.20 for a period of 10 consecutive trading days any time after June 16, 2017. The Company will be entitled to accelerate the expiry of the Warrants upon notice given by press release (disseminated through a newswire service in Canada) and the Warrants will then expire on the fifteenth (15th) business day after the date of the press release unless exercised by the holder prior to such date. The Warrants were valued at $220,475 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 80%; Interest rate – 0.71%.

The Company paid commissions to finders under the Offering consisting of cash fees of $96,768 and the issue of 160,028 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of $0.80 per Share until June 16, 2018. The Finder's Warrants were valued at $30,725 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 80%; Interest rate – 0.71%.

(expressed in Canadian dollars)

8. Share capital (continued)

(iii) The following summarizes the warrants exercised during the year ended September 30, 2016.

Date	Price	Shares issued	Cash proceeds	Fair value
11/4/2015	$ 0.250	18,600	$ 4,650	$ 3,019
11/12/2015	$ 0.250	25,000	6,250	4,057
1/18/2016	$ 0.250	19,500	4,875	3,165
1/25/2016	$ 0.250	125,580	31,395	20,382
1/29/2016	$ 0.250	19,700	4,925	3,197
2/10/2016	$ 0.250	4,200	1,050	682
2/10/2016	$ 0.270	8,000	2,160	1,056
3/21/2016	$ 0.250	4,200	1,050	682
3/24/2016	$ 0.270	8,000	2,160	1,056
4/21/2016	$ 0.250	9,355	2,339	1,518
5/3/2016	$ 0.270	37,600	10,152	4,963
5/3/2016	$ 0.360	20,833	7,500	2,267
5/6/2016	$ 0.250	5,700	1,425	925
5/6/2016	$ 0.270	8,000	2,160	1,056
5/11/2016	$ 0.250	1,800	450	292
5/18/2016	$ 0.250	33,920	8,480	5,505
6/6/2016	$ 0.250	20,000	5,000	3,246
6/20/2016	$ 0.270	8,000	2,160	1,056
6/20/2016	$ 0.250	37,665	9,416	6,113
7/5/2016	$ 0.250	10,000	2,500	1,623
7/5/2016	$ 0.250	5,000	1,250	811
7/20/2016	$ 0.250	18,000	4,500	2,921
7/20/2016	$ 0.270	2,000	540	264
9/8/2016	$ 0.360	10,416	3,750	1,133
		461,069	$ 120,137	$ 70,990

(iv) On June 30, 2016, the Company issued 275,832 common shares as a result of the exercise of 275,832 stock options. The cash proceeds from the option exercises were $99,299 and the grant date fair value of $35,698 recorded a contributed surplus was transferred to common hare upon exercise.

(v) On March 21, 2017, the Company completed the first tranche of a non-brokered private placement (the “Private Placement”). The first tranche closing consisted of the sale and issuance of 4,602,000 Units (“Units”) of the Company at a price of $0.25 per Unit for gross proceeds of C$1,150,500, of which $1,216,127 was allocated to share capital and $212,373 was allocated to warrants relative fair value.

Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant (“Warrant”) entitles the holder to purchase one additional common share at a price of C$0.40 per common share until March 21, 2019, subject to the Company's right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds C$0.65 for a period of 30 consecutive trading days commencing 4 months after the date the Warrants are issued. The Company will be entitled to accelerate the expiry of the Warrants upon notice given by press release and the Warrants will then expire on the fifteenth (15th) business day after the date of the press release unless exercised by the holder prior to such date. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 79%; Interest rate – 0.79%.

(expressed in Canadian dollars)

8. Share capital (continued)

The Company paid commissions to finders under the private placement consisting of cash fees of $52,155 and the issue of 178,800 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of $0.40 per Share until March 21, 2019. The Finder's Warrants were valued at $20,688 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 79%; Interest rate – 0.79%.

(vi) On April 21, 2017, the Company closed the second tranche of the private placement note in (v) (above). In connection with this tranche, the Company issued 1,112,000 Units for gross proceeds of $278,000, of which $235,862 was allocated to share capital and $42,138 was allocated to warrants using the relative fair value method. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 82%; Interest rate – 0.71%. The Company paid an aggregate of $28,097 and issued 60,720 finders warrants in connection with this tranche. The Finder's Warrants were valued at $4,999 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 82%; Interest rate – 0.71%.

(vii) On September 19, 2017, the Company closed a non-brokered private placement of 3,922,000 units of the Company at a price of $0.20 per unit for gross proceeds of C$784,400, of which $682,087 was allocated to share capital and $102,313 was allocated to warrants using the relative fair value method.

Each unit consists of one common share and one half of one common share purchase warrant ("Unit"). Each whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share at a price of C$0.35 per common share until September 19, 2019, subject to the Company's right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds C$0.50 for a period of 20 consecutive trading days any time after January 20, 2018. The Company will be entitled to accelerate the expiry of the Warrants upon notice given by press release (disseminated through a newswire service in Canada) and the Warrants will then expire on the fifteenth (15th) business day after the date of the press release unless exercised by the holder prior to such date. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 81%; Interest rate – 1.57%.

The Company paid commissions to finders under the private placement consisting of cash fees (and other issue costs) of C$23,512 and the issue of 89,700 finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of C$0.35 per common share until September 19, 2019, subject to the acceleration terms as mentioned above. The Finder's Warrants were valued at $5,651 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 81%; Interest rate – 1.57%.

(viii) The following summarizes the options exercised during the year ended September 30, 2017.

Date	Price	Fair value on date of exercise	Shares issued	Cash proceeds	Fair value
06/14/2017	$0.25	$0.33	20,000	$ 5,000	$ 3,867
06/15/2017	$0.25	$0.31	200,000	50,000	38,672
06/19/2017	$0.25	$0.31	2,500	625	483
07/05/2017	$0.25	$0.29	200,000	50,000	38,672
			422,500	$105,625	$81,694

No options were exercised during the year ended September 30, 2016.

(expressed in Canadian dollars)

8. Share capital (continued)

(ix) The following summarizes the warrants exercised during the year ended September 30,

Date	Price	Shares issued	Cash proceeds	Fair value
10/24/2016	$0.270	80,000	$21,600	$10,560
1/21/2017	$0.250	2,260	565	367
4/24/2017	$0.270	66,800	18,036	8,818
6/6/2017	$0.250	2,400	600	390
		151,460	$40,801	$20,134

Volatility used in (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii), was based on the historical volatility of other comparable listed companies.

9. Warrants

The warrants issued and outstanding as at September 30, 2017 are as follows:

	Number of warrants	Weighted average strike price
Balance September 30, 2015	3,647,687	$0.33
Warrants exercised (note 8(iii))	(461,069)	$0.26
Finders warrants issued in connection with the private placement (note 8(i))	293,000	$0.27
Warrants issued in connection with the private placement (note 8 (ii))	1,390,492	$0.80
Finders warrants issued in connection with the private placement (note 8(ii))	160,028	$0.80
Balance, September 30, 2016	5,030,138	$0.48
Warrants expired	(2,751,678)	$0.36
Warrants granted (note 8(v)(vi)(vii)	5,147,220	$0.38
Warrants exercised (note 8(ix))	(151,460)	$0.27
Balance, September 30, 2017	7,274,220	$0.46

All warrants issued during the year ended September 30, 2017 and year ended September 30, 2016 vested on the grant date. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date. At September 30, 2017, the following warrants were outstanding:

Strike price	Number	Weighted average remaining contractual life (in years)	Expiry date
$0.25	576,480	0.75	6/30/2018
$0.80	1,390,492	0.71	6/16/2018
$0.80	160,028	0.71	6/16/2018
$0.40	2,479,800	1.47	3/21/2019
$0.40	616,720	1.56	4/21/2019
$0.35	2,050,700	1.97	9/19/2019
	7,274,220	1.40	

(expressed in Canadian dollars)

10. Stock options

The Company adopted a rolling stock option plan, which authorizes the Board of Directors to grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each stock option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

Below is a summary of transactions for the year ended September 30, 2017 and the year ended September 30, 2016:

Transaction	Date	# Options
Balance September 30, 2015		3,267,433
Granted to an officer and a director	11/16/2015	275,000
Granted to consultants (note 10(ii))	6/23/2016	325,000
Exercised	6/30/2016	(275,833)
Granted to an officer (note 10(iii))	8/30/2026	1,000,000
Balance September 30, 2016		4,591,600
Granted to a consultant (note 10(iv))	10/21/2016	100,000
Granted to a consultant (note 10(v))	12/5/2016	100,000
Granted to a consultant (note 10(vi))	4/21/2017	360,000
Expired		(200,000)
Exercised		(422,500)
Balance September 30, 2017		4,529,100

As at September 30, 2017 the Company had the following stock options outstanding:

Date Issued	# Options	# Exercisable	Value	Exercise Price		Expiry date
6/30/2015	50,000	50,000	6,534	$	0.25	6/30/2018
7/6/2015	2,217,500	2,195,000	549,142	$	0.25	7/6/2020
8/8/2015	1,600	1,600	371	$	0.30	8/8/2020
9/7/2015	100,000	100,000	24,862	$	0.31	9/7/2020
11/16/2015	275,000	275,000	91,575	$	0.43	11/16/2020
6/23/2016	325,000	325,000	115,050	$	0.50	6/23/2021
8/30/2016	1,000,000	270,833	310,000	$	0.32	8/30/2026
10/21/2016	100,000	91,663	23,400	$	0.32	10/21/2021
12/5/2016	100,000	50,000	16,500	$	0.24	12/5/2021
4/21/2017	360,000	270,000	76,680	$	0.25	4/21/2022
	4,529,100	3,629,096				

The total number of options exercisable at period end is 3,629,096. The weighted average expiry date of the options is 4.4 years. The weighted average exercise price of the options is $0.30.

10. Stock options (continued)

(i) On November 16, 2015, the Company issued 75,000 options to an officer of the Company, and 200,000 options to a director of the Company. These options were valued at $91,025 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 106.06%; Interest rate – 0.94%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.43.

(ii) On June 23, 2016, the Company issued 325,000 options to consultants of the Company. These options were valued at $115,050 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility– 96.93%; Interest rate – 0.71%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.49.

(iii) On August 30, 2016, the Company issued 1,000,000 options to consultants of the Company. These options were valued at $310,000 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 96.53%; Interest rate – 1.02%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.35.

(iv) On October 21, 2016, the Company issued 100,000 options to a consultant of the Company. These options were valued at $23,400 using the Black-Scholes option pricing model using the following assumptions: Expected life – 4.85 years; Volatility – 89.31%; Interest rate – 0.62%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.28.

(v) On December 5, 2016, the Company issued 100,000 options to a consultant of the Company. These options were valued at $16,500 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 89.05%; Interest rate – 1.03%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.24.

(vi) On April 21, 2017, the Company issued 360,000 options to a consultant of the Company. These options were valued at $76,680 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 87.97%; Interest rate – 1.00%; Dividend yield – nil; Forfeiture rate – nil, stock price - $0.30.

Volatility was based on the historical volatility of other comparable listed companies.

11. Loss per share

The warrants and options outstanding were excluded from the computation of diluted loss per share for the years ended September 30, 2017 and September 30, 2016 because their impact was anti-dilutive.

12. Financial instruments

Fair Value
Financial instruments of the Company as at September 30, 2017 and September 30, 2016 consist of cash and cash equivalents and accounts payable and accrued liabilities. There are no significant differences between the carrying amounts of the items reported on the consolidated statements of financial position and their estimated fair values because of the short-term maturities of these items.

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

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include cash deposits.

12. Financial instruments (continued)

Foreign currency risk
Foreign exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. The Company's exposure to this risk is insignificant.

Interest rate risk
The Company is exposed to insignificant interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest bearing cash.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of its financial assets (i.e. cash). Cash is held with a large financial institution in Canada, and management believes that exposure to credit risk is not significant.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. See note 1 for further disclosure on the going concern assumption.

The Company's accounts payable and accrued liabilities are subject to normal trade terms and have contractual maturities payable within 30 days for 2017 and 2016. At September 30, 2017, the Company has current assets of $1,084,204 (September 30, 2016 - $1,644,279) and current liabilities of $298,735 (September 30, 2016 – $242,605) resulting in working capital of $785,469 (September 30, 2016 – $1,401,674).

13. Capital management

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, warrants, contributed surplus and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

The Company is operating at a loss. As such, the Company is dependent on external financing to fund its activities. In order to pay for its operating expenses, the Company will spend its existing working capital and raise additional amounts as needed and if available.

As at September 30, 2017, managed capital was $1,887,305 (2016 - $2,346,723). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(expressed in Canadian dollars)

14. Office and general

		2017		2016
Accounting and audit	**$**	**72,526**	$	47,392
Amortization and depreciation		**92,899**		82,657
Consulting		**393,483**		362,229
Insurance		**28,224**		14,633
Legal		**141,542**		165,082
Occupancy costs		**128,410**		86,844
Office and general		**94,150**		133,480
Salaries and benefits		**425,670**		283,139
Warehouse supplies		**9,451**		12,669
Transfer agent		**49,096**		41,540
Travel		**101,151**		162,834
	$	**1,536,602**	$	1,392,499

15. Commitments

Effective November 1, 2015, the Company has a lease commitment for premises, which expires October 31, 2020, requiring the following approximate annual payments:

Year	**Minimum lease payment**	
2018	$	55,064
2019		56,789
2020		58,515
thereafter		4,888
Total	$	175,256

16. Income Taxes

Provision for income taxes

No deferred tax asset has been recognized because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for Canadian income tax purposes expiring as follows:

2032	321,638
2033	382,002
2034	460,174
2035	328,573
2036	2,474,467
2037	2,862,084
Total	6,828,938

The Company has share issue costs of $950,852 available for deduction against future Canadian taxable income over the next four years.

(expressed in Canadian dollars)

16. Income Taxes (continued)

		2017		2016
Loss before income taxes	**$**	**3,101,915**	$	2,611,504
Tax rate		**26.5%**		26.5%
Calculated income tax recovery		**822,007**		692,049
Stock based compensation		**76,543**		60,283
Non-deductible expense and other		**30,840**		41,926
Non-deductible listing expense		**-**		-
Change in deferred taxes not recognized		**714,625**		589,840
Income tax expense	**$**	**-**	$	-

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

		2017		2016
Deferred income tax assets				
Non-capital loss carry forwards	**$**	**1,809,669**	$	925,604
Property and equipment		**63,038**		(19,291)
Intangible assets		**(8,018)**		(26,660)
Share issue costs		**(127,035**		144,339
Legal fees included in CEC pool		**67,544**		66,581
		1,805,198		1,090,573
Less: Deferred taxes not recognized		**(1,805,198)**		**(500,733)**
	$	**-**	$	-

17. Subsequent events

Subsequent to the year-end, 247,500 options were exercised for proceeds of $61,875.