ALGERNON PHARMACEUTICALS INC.
(FORMERLY BREATHTEC BIOMEDICAL, INC.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the six months ended February 28, 2019 and 2018
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

ALGERNON PHARMACEUTICALS INC.
(FORMERLY BREATHTEC BIOMEDICAL, INC.)
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	February 28, 2019	August 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	*4*	$ 1,047,834	$ 1,251,058
Accounts and advances receivable	*8*	20,833	11,269
Prepaid expenses		70,824	32,367
Total current assets		1,139,491	1,294,694
Non-current assets			
Incorporation costs		1,371	1,371
License agreements	*7*	60,861	73,033
Furniture and equipment	*9*	-	53,801
Intangible asset	*6*	4,870,151	-
Total non-current assets		4,932,383	128,205
TOTAL ASSETS		$ 6,071,874	$ 1,422,899
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*12*	$ 142,097	$ 57,034
Total liabilities		142,097	57,034
Shareholders' equity			
Share capital	*10*	12,587,435	8,568,723
Reserves	*10*	2,517,347	1,587,162
Accumulated other comprehensive income		137,112	139,008
Deficit		(9,312,117)	(8,929,028)
Total shareholders' equity		5,929,777	1,365,865
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 6,071,874	$ 1,422,899

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

Approved on behalf of the Board:

"Michael Sadhra" (signed)
Michael Sadhra
Director

"Dr. Raj Attariwala" (signed)
Dr. Raj Attariwala
Director

ALGERNON PHARMACEUTICALS INC.
(FORMERLY BREATHTEC BIOMEDICAL, INC.)
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended February 28, 2019	Three months ended February 28, 2018	Six months ended February 28, 2019	Six months ended February 28, 2018
EXPENSES					
General and administrative	7	$ 62,155	$ 49,308	$ 99,599	$ 131,363
Marketing		36,881	-	116,031	-
Professional fees	*10*	150,838	66,498	343,349	137,317
Research and development	*5, 9*	183,274	22,536	358,139	59,037
Shareholder communications		13,845	22,521	38,337	29,405
		446,993	160,863	955,455	357,122
Interest income		(2,183)	(2,925)	(5,250)	(5,881)
Miscellaneous income		-	-	(6,651)	-
Gain on disposal of furniture and equipment		-	-	(4,968)	-
Net loss for the period		444,810	157,938	938,586	351,241
OTHER COMPREHENSIVE INCOME					
Item not classified into profit or loss:					
Foreign exchange gain on translation to reporting currency		457	(43)	1,896	(3,763)
Comprehensive loss for the period		$ 445,267	$ 157,895	$ 940,482	$ 347,478
Loss per common share					
Basic and fully diluted		$ 0.01	$ 0.00	$ 0.02	$ 0.01
Weighted average number of common shares outstanding		46,835,068	27,842,307	41,946,146	27,607,871

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

ALGERNON PHARMACEUTICALS INC.
(FORMERLY BREATHTEC BIOMEDICAL, INC.)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Six Months ended February 28	2019	2018
OPERATING ACTIVITIES		
Net loss for the period	$ (938,586)	$ (351,241)
Items not involving cash		
Amortization	14,823	20,346
Gain on sale/disposal of equipment	(3,798)	
Unrealized foreign exchange (gain) loss	(2,512)	58
	(930,073)	(330,837)
Changes in non-cash operating working capital		
Accounts and advances receivable	35,141	4,090
Prepaid expenses	(37,961)	25,173
Accounts payable and accrued liabilities	(67,219)	(12,917)
	(1,100,112)	(314,491)
INVESTING ACTIVITIES		
Proceeds from sale of equipment	55,323	-
Cash acquired on Nash Pharma acquisition	100,600	-
Additions of intangible assets	(7,395)	-
	148,528	-
FINANCING ACTIVITIES		
Shares issued for private placement – net of financing costs	494,236	-
Proceeds from warrants exercised	153,749	363,050
Proceeds from stock options exercised	-	18,750
	647,985	381,800
Effect of exchange rate fluctuations on cash held	375	1,934
Increase (decrease) in cash and cash equivalents	(203,224)	69,243
Cash and cash equivalents, beginning of period	1,251,058	1,392,514
Cash and cash equivalents, end of period	$ 1,047,834	$ 1,461,757
Supplemental cash flow information		
Non-cash investing and financing activities:		
Shares issued to replace Nash Pharma shares (note 5)	$ 3,460,000	$ -
Fair value of Nash Pharma replacement warrants (note 5)	1,380,409	-
Fair value of warrants issued with private placement	137,910	-
Fair value of warrants exercised	32,637	-

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

ALGERNON PHARMACEUTICALS INC.
(FORMERLY BREATHTEC BIOMEDICAL, INC.)
Unaudited Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian dollars)

Description	Number of Shares	Share Capital	Share-Based Expense Reserve	Accumulated Other Comprehensive Income	Deficit	**Total**
Balance at August 31, 2017	27,376,012	$ 7,989,797	$ 2,291,687	$ 131,254	$ (8,823,930)	$ 1,588,808
Cancellation of stock options	-	-	(132,148)	-	132,148	-
Expiration of warrants	-	-	(700,348)	-	700,348	-
Exercise of stock options	62,500	29,707	(10,957)	-	-	18,750
Exercise of warrants	1,210,167	440,114	(77,064)	-	-	363,050
Other comprehensive income	-	-	-	3,763	-	3,763
Net loss for the period	-	-	-	-	(351,241)	(351,241)
Balance at February 28, 2018	**28,648,679**	**$ 8,459,618**	**$ 1,371,170**	**$ 135,017**	**$ (8,342,675)**	**$ 1,623,130**
Balance at August 31, 2018	28,948,678	$ 8,568,723	$ 1,587,162	$ 139,008	$ (8,929,028)	$ 1,365,865
Shares issued on Nash Pharma acquisition (note 5)	15,800,000	3,476,000	-	-	-	3,476,000
Replacement warrants issued on Nash Pharma acquisition (note 5)	-	-	1,380,409	-	-	1,380,409
Shares issued for cash, net of financing costs	2,083,334	356,326	137,910	-	-	494,236
Cancellation of stock options	-	-	(555,498)	-	555,498	-
Exercise of warrants	512,500	186,386	(32,636)	-	-	153,750
Other comprehensive loss	-	-	-	(1,896)	-	(1,896)
Net loss for the period	-	-	-	-	(938,586)	(938,586)
Balance at February 28, 2019	**47,344,512**	**$ 12,587,435**	**$ 2,517,347**	**$ 137,112**	**$ (9,312,117)**	**$ 5,929,777**

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

1. NATURE AND GOING CONCERN

Algernon Pharmaceuticals Inc., formerly Breathtec Biomedical, Inc. (the "Company", "Algernon" or "Breathtec") was incorporated on April 10, 2015 under the British Columbia *Business Corporations Act* as "PBA Acquisitions Corp". On July 23, 2015, it changed its name to Breathtec Biomedical, Inc. The registered office of Algernon is located at Suite 1500 – 1500 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Breathtec was incorporated as a wholly owned subsidiary of Petro Basin Energy Corp. ("Breathtec Parent"). On June 25, 2015, Breathtec entered into a plan of arrangement (the "Arrangement Agreement") with Breathtec Parent pursuant to which Breathtec Parent spun out Breathtec to its shareholders. The Arrangement Agreement was completed on September 23, 2015. As a result, Breathtec became a reporting issuer in the provinces of British Columbia, Ontario and Alberta.

On September 11, 2015, Breathtec incorporated a wholly owned subsidiary, Breathtec Merger Sub, Inc. ("MergerCo"), under the *Florida Business Corporations Act* ("FBCA"*)*.

Breathtec Biomedical, Inc. ("Breathtec US") was incorporated under the FBCA on January 22, 2015. The head office and registered office of Breathtec US is located at 525 Okeechobee Boulevard, Suite 1600, West Palm Beach, Florida, 33401.

On October 26, 2015, Breathtec, Breathtec Parent, Breathtec US and MergerCo completed an agreement (the "Merger Agreement") structured as a reverse takeover, specifically, as a triangular merger under the FBCA among Breathtec, Breathtec US and MergerCo (the "Merger"). Pursuant to the Merger, Breathtec US was merged with and into MergerCo with Breathtec US as the surviving corporation. The Company acquired a 100% interest in Breathtec US pursuant to and on the terms and subject to the conditions set out in the Merger Agreement resulting in Breathtec US becoming a 100% owned Florida operating subsidiary of the Company. Management applied judgment in determining the shareholders of which entity was the acquirer, and concluded Breathtec US controlled Breathtec, and these consolidated financial statements represent the continuation of Breathtec US, the legal subsidiary.

Breathtec was formed to propel innovative research in the area of breath analysis as a medical diagnostic tool. The principal goal of the Company was to develop and commercialize non-invasive, affordable, breath analysis devices for early detection of infections and life-threatening diseases such as cancers, liver disease, kidney failure, diabetes, asthma and tuberculosis.

On October 17, 2018, the Company consolidated its common shares on the basis of two pre-consolidation shares for one post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

On October 19, 2018, the Company completed the acquisition of 100% of the issued and outstanding shares of Nash Pharmaceuticals Inc. ("Nash Pharma"), including dilutive securities of Nash Pharma, in exchange for securities of Breathtec (the "Transaction"). Nash Pharma is a clinical stage pharmaceutical development company focused on developing repurposed therapeutic drugs in the areas of non-alcoholic steatohepatitis (NASH), chronic kidney disease (CKD) and inflammatory bowel disease (IBD). Drug repurposing (also known as re-profiling, re-tasking or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than what it originally developed for. Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human).

1. NATURE AND GOING CONCERN (continued)

Upon the closing of the Transaction on October 19, 2018, the Company acquired all of the issued and outstanding common shares of Nash Pharma in consideration for the issuance of 15,800,000 common shares of the Company and 14,800,000 replacement warrants, with exercise prices and expiry dates equal to the Nash Pharma warrants cancelled.

To align the corporate identity with the Company's new main strategy to be a global leader in the treatment of liver disease, chronic kidney disease and inflammatory bowel disease, on February 19, 2019, the Company changed its name to Algernon Pharmaceuticals Inc. The Company's common shares also began trading on the CSE on February 19, 2019 under the new symbol "AGN".

At present, the Company has no current operating income. The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. 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. These consolidated financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with international Accounting Standard 34, Interim Financial Reporting ("IAS 34") using policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended August 31, 2018, except that they do not include all the disclosures required for the annual audited financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended August 31, 2018.

(b) Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the period ended February 28, 2019 were approved and authorized for issuance by the Board of Directors on April 26, 2019.

2. BASIS OF PRESENTATION (continued)

(c) Foreign currencies

The reporting currency is the Canadian dollar ("CAD"), which is the functional currency of Algernon and Nash Pharma. The functional currency of Breathtec US is the United States dollar ("US"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive income.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the consolidated statements of loss and comprehensive loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive income.

(d) Use of accounting estimates and judgements

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis.

The acquisition of Nash Pharma requires management to make a judgement as to whether Nash Pharma constitutes a business combination or an asset acquisition under the definitions of IFRS 3. The assessment requires management to assess inputs, processes, and ability of Nash Pharma to produce outputs at the time of acquisition. Pursuant to the assessment, Nash Pharma was considered an asset acquisition (note 5) and intangible assets were recognized (note 6).

The Company assess at each reporting date if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assess certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.

Following initial recognition, the Company carries the value of the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense. As at February 28, 2019, the Company has not amortized the intangible assets as amortization begins when the intangible assets are available for use.

2. BASIS OF PRESENTATION (continued)

(d) Use of accounting estimates and judgements (continued)

Apart from the above, there have been no material revisions to the nature and amount of changes in estimates of amounts reported in its audited consolidated financial statements for the year ended August 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the same accounting policies and methods of computation in its condensed interim consolidated financial statements as in its audited consolidated financial statements for the year ended August 31, 2018, except for those that relate to new standards and interpretations effective for the first time for periods beginning on or after January 1, 2019, and will be adopted in the 2019 annual financial statements.

Standards, Amendments and Interpretations effective for annual periods beginning on or after January 1, 2019

IFRS 16 Leases was issued by IASB in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

The Company has reviewed the impact of IFRS 16 and concluded that since the Company did not enter into any lease agreements as defined under IFRS 16, the impact of IFRS 16 is immaterial.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to the Company's cash and cash equivalents and accounts receivable. The Company limits exposure to credit risk by maintaining its cash and cash equivalents in trust with large financial institutions in the US and Canada. For other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At February 28, 2019, the Company had working capital of $997,394 compared to working capital at August 31, 2018 of $1,237,660. This included cash and cash equivalents of $1,047,834 (August 31, 2018 - $1,251,058) available to meet short-term business requirements and current liabilities of $142,097 (August 31, 2018 –

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

$57,034). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks. The Company is not exposed to significant interest rate risk and other price risk.

Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the CAD (primarily US$). As at February 28, 2019, the Company had monetary assets of US$26,042 or $34,295 (August 31, 2018 - US$31,492 or $41,113) at the CAD equivalent and monetary liabilities of US$62,696 or $82,924 (Augusts 31, 2018 - US$3,271 or $4,270) at the CAD equivalent.

For the period ended February 28, 2019, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US$ by 10% will increase or decrease other comprehensive loss by approximately $4,863 (August 31,2018 - $3,684). The Company has not entered into any foreign currency contracts to mitigate this risk.

5. ACQUISITION OF NASH PHARMA

On October 5, 2018, the Company and Nash Pharma entered into a Share Exchange Agreement whereby the Company would acquire 100% of the issued and outstanding shares of Nash Pharma, including its dilutive securities, in exchange for securities of Breathtec. Nash Pharma is a clinical stage pharmaceutical development company focused on drug repurposing in the areas of non-alcoholic steatohepatitis (NASH), chronic kidney disease (CKD) and inflammatory bowel disease (IBD). Through its ongoing research programs, Nash Pharma has developed data that supports the advancement of up to seven drug candidates into phase II trials.

Upon the closing of the Transaction on October 19, 2018, the Company acquired all of the issued and outstanding common shares of Nash Pharma, in consideration for the issuance of 15,800,000 common shares at an exercise price of $0.24 per common share and 14,800,000 warrants ("Replacement Warrants") of the Company. Each Replacement Warrants had an exercise price and expiration date equal to the exercise price and expiration date of the Nash Pharma warrants that were cancelled. The fair value of the replacement warrants was determined using a Black-Scholes option pricing model.

For accounting purposes, the acquisition has been recorded as an asset acquisition as Nash Pharma does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

(Expressed in Canadian dollars)

5. ACQUISITION OF NASH PHARMA (continued)

Consideration paid:		
Fair value of 15,800,000 Breathtec common shares issued	$	3,476,000
Fair value of 14,800,000 replacement warrants issued		1,380,409
Transaction costs		19,180
Total consideration paid	**$**	**4,875,589**
Net identifiable assets acquired:		
Cash		100,600
Taxes recoverable and other receivables		44,706
Prepaids		496
Intangible asset		4,862,756
Accounts payable and accrued liabilities		(132,969)
Identifiable assets acquired	**$**	**4,875,589**

As a result of the acquisition, an amount of $4,862,756 was capitalized to intangible assets.

The Company used the Black-Scholes option pricing model to determine the fair value of the 14,800,000 replacement warrants issued with the following weighted average assumptions:

Risk-free interest rate	2.25%
Expected dividend yield	0.00%
Expected stock price volatility	94.02%
Expected life in years	1.16
Forfeiture rate	0.00%

6. INTANGIBLE ASSETS

	Acquisition of Nash Pharma[(2)]	Patent Application Costs[(1)(2)]	Total
Cost			
Balance, August 31, 2017 and 2018	$ -	$ -	$ -
Additions	4,862,756	7,395	4,870,151
Balance, February 28, 2019	$ 4,862,756	$ 7,395	$ 4,870,151
Accumulated Amortization			
Balance, August 31, 2017 and 2018	$ -	$ -	$ -
Amortization	-	-	-
Balance, February 28, 2019	$ -	$ -	$ -
Net Book Value			
Balance, August 31, 2018	$ -	$ -	$ -
Balance, February 28, 2019	$ 4,862,756	$ 7,395	$ 4,870,151

(1) The Company has filed new method of use patents for lead compounds for treatment of three new disease areas: NASH, CKD and IBD. The likelihood of the application success is not known.

(2) No amortization was taken on the intangibles as the assets are not available to use.

(Expressed in Canadian dollars)

7. LICENSES

University of Florida Research Foundation ("UFRF")

On June 18, 2016, the Company signed a license agreement with the UFRF, a non-profit Florida corporation, with respect to an exclusive royalty-bearing license to certain UFRF patent rights and a non-exclusive royalty-bearing license to certain UFRF know-how to enable commercial advancements in the field of infections detection (the "License - UFRF").

Pursuant to the terms of the license agreement, the License - UFRF is effective from June 18, 2016 to the later of the date that no patent right remains enforceable and ten years after the first commercial sale of a licensed product (with an option to extend for additional five-year terms).

In consideration for the License - UFRF, the Company issued to UFRF 468,162 common shares of the Company fair valued at $121,722. Starting in June 2017, an annual license maintenance fee of US$2,000 would be paid by the Company and every year thereafter until the first commercial sale. In addition, the Company will also make payments upon meeting certain development, regulatory and commercialization milestones. Upon commencement of commercial production, the Company will pay a royalty between 2% and 4% on all net sales. All shares issued to UFRF will be subject to a four-month hold period pursuant to applicable securities laws.

	UFRF License
Cost	
Balance at August 31, 2017	$ 121,722
Additions	-
Balance at August 31, 2018	121,722
Additions	-
Balance at February 28, 2019	$ 121,722
Accumulated Amortization	
Balance at August 31, 2017	$ 24,344
Amortization	24,345
Balance at August 31, 2018	48,689
Amortization	12,172
Balance at February 28, 2019	$ 60,861
Carrying Amounts	
August 31, 2018	$ 73,033
February 28, 2019	$ 60,861

This license agreement with the UFRF is separate from the intangible asset acquired from Nash Pharma (note 6). Whereas no amortization was taken on the Nash Pharma intangibles as the assets are not available to use. For the period ended February 28, 2019, included in research and development expense is a total of $12,172 (February 28, 2018 - $12,173) in amortization expense from the UFRF license.

(Expressed in Canadian dollars)

8. ACCOUNTS AND ADVANCES RECEIVABLE

As at	February 28, 2019	August 31, 2018
Accrued interest receivable	$ 35	$ 5,668
GST receivable	20,798	5,601
	$ 20,833	$ 11,269

9. FURNITURE AND EQUIPMENT

	Total
Cost	
Balance at August 31, 2017	$ 82,282
Foreign translation impact	2,573
Balance at August 31, 2018	84,855
Disposal	(85,785)
Foreign translation impact	930
Balance at February 28, 2019	$ -
Accumulated Amortization	
Balance at August 31, 2017	$ 14,323
Amortization	16,605
Foreign translation impact	126
Balance at August 31, 2018	31,054
Amortization	2,651
Disposal	(34,045)
Foreign translation impact	340
Balance at February 28, 2019	$ -
Carrying Amounts	
August 31, 2018	$ 53,801
February 28, 2019	$ -

For the period ended February 28, 2019, included in general and administrative expense is a total of $2,651 (February 28, 2018 - $8,173) in amortization expense.

10. SHARE CAPITAL AND RESERVES

Share capital

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

On October 17, 2018, the Company consolidated its common shares on the basis of two pre-consolidation shares for one post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the condensed interim consolidated financial statements are post-consolidation amounts and the prior period comparatives have been retroactively restated to present the post-consolidation amounts.

As at February 28, 2019, there were 47,344,512 (August 31, 2018 – 28,948,678) common shares issued and outstanding. Details of common shares are as follows:

During the six months ended February 28, 2019:

- On October 19, 2018, the Company issued 15,800,000 common shares in connection with the completion of the acquisition of Nash Pharma (note 5). The Company also issued 14,800,000 replacement warrants which were valued using a Black-Scholes option pricing model on the date of acquisition. The fair value was determined to be $1,380,409.

- On October 23, 2018, the Company closed a private placement for 2,083,334 units at a price of $0.24 per unit for gross proceeds of $500,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of $0.50 for a period of two years from the closing of the private placement. In addition, 5,266 share purchase warrants were issued as Finders' warrants with a fair value of $480 estimated using the Black-Scholes option pricing model. Each Finders' warrant entitles the holder to purchase one share at a price of $0.50 per share until October 23, 2020. The Company also incurred cash share issue costs of $5,763 relating to the private placement.

- 512,500 common shares were issued in connection with the exercise of 512,500 warrants at a price of $0.30 per warrant for gross proceeds of $153,750. The value allocated to these warrants when issued $32,636 was reclassified from reserves to share capital.

During the six months ended February 28, 2018:

- 1,210,167 common shares were issued in connection with the exercise of 1,210,167 share purchase warrants at $0.30 per warrant for gross proceeds of $363,050. The value allocated to these warrants when issued $77,064 was reclassified from reserves to share capital.

- 62,500 common shares were issued in connection with the exercise of 62,500 stock options at a price of $0.30 per option for gross proceeds of $18,750. The value allocated to these stock options when issued $10,957 was reclassified from reserves to share capital.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Share capital (continued)

Escrow shares

In connection with the Merger (note 1), the Company issued 3,878,350 escrow shares.

As at February 28, 2019, the Company had nil (August 31, 2018 – 581,753) shares held in escrow. Under the escrow agreement, 10% of the total shares were released upon listing with the Canadian Securities Exchange ("CSE") and 15% of the shares would be released every six months following listing. The final release occurred on February 1, 2019.

Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan"). Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares and the number of shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the CSE and other applicable regulatory authorities.

During the six-month period ended February 28, 2019:

- There was no issuance of stock options granted by the Company.

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at August 31, 2017	2,097,500	$ 0.44
Granted	662,500	$ 0.48
Cancelled	(550,000)	$ 0.38
Exercised	(62,500)	$ 0.30
Balance at August 31, 2018	2,147,500	$ 0.48
Cancelled	(760,000)	$ 0.50
Balance at February 28, 2019	1,387,500	$ 0.46

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

As at February 28, 2019, the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
February 1, 2016	February 1, 2021	537,500	$ 0.50	1.93
May 18, 2017	May 18, 2022	237,500	$ 0.30	3.22
March 1, 2018	March 1, 2023	612,500	$ 0.48	4.01
Total		1,387,500	$ 0.46	3.07

Share-based payments

There were no stock options granted during the six-month period ended February 28, 2019.

Total fair value of options granted in the year ended August 31, 2018 was $235,097 which was recognized as share-based payment expense for the year.

The Company uses the Black-Scholes option pricing model to determine the fair value of the options granted with the following weighted average assumptions:

	February 28, 2019	August 31, 2018
Risk-free interest rate	-	1.99%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	116%
Expected option life in years	-	5.0
Forfeiture rate	-	0.00%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these input assumptions can materially affect the fair value estimate.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2017	13,014,838	$ 0.52
Expired	(5,765,506)	$ 0.78
Exercised	(1,510,166)	$ 0.30
Balance at August 31, 2018	5,739,166	$ 0.30
Issued	16,888,600	$ 0.27
Exercised	(512,500)	$ 0.30
Balance at February 28, 2019	22,115,266	$ 0.28

As at February 28, 2019, the Company had the following warrants outstanding:

Date of Expiry	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
September 25, 2019	$ 0.15	4,500,000	0.57
September 27, 2019	$ 0.15	1,700,000	0.58
October 2, 2019	$ 0.15	2,105,000	0.59
October 4, 2019	$ 0.40	2,495,000	0.60
November 25, 2019	$ 0.30	5,226,666	0.74
July 18, 2020	$ 0.25	4,000,000	1.39
October 23, 2020	$ 0.50	2,088,600	1.65
Total	$ 0.28	22,115,266	0.87

11. RESEARCH AND DEVELOPMENT

Breathtec US has an agreement (the “Agreement”) with the University of Florida (“UF”) whereby UF assists the Company with research and development that is extended annually. There was a no-cost extension for the period January 16, 2018 to October 14, 2018.

Subsequent to the no-cost extension that ended on October 14, 2018, the Company amended its research agreement (the “Amending Agreement”) with UF, whereby UF has undertaken to advance the FAIMS V3 prototype, or future iterations, through its final stages of prototype development. The Amending Agreement is for the period October 15, 2018 to October 15, 2019 and requires the Company to make quarterly payments of US$41,469 for a total of US$165,877. For the six-month period ended February 28, 2019, the Company paid a total of US$41,469 ($55,158). Prior to the no-cost extension, for the period January 16, 2017 to January 15, 2018 the Company paid a total of US$55,608 ($71,820).

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are considered to be those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes senior officers and directors of the Company.

Compensation to key management personnel is as follows:

Six Months Ended February 28	2019	2018
Short-term benefits (1)	$ -	$ 86,757
Share-based payment	-	-
	$ -	$ 86,757

Related party transactions not included in compensation to key management personnel are as follows:

Six Months Ended February 28	2019	2018
Consulting fees – other (2)	$ 78,000	$ 37,300
Rent (3)	12,000	12,000
	$ 90,000	$ 49,300

(1) Short-term benefits paid to management personnel:
- $nil to former Chief Executive Officer (February 28, 2018 - $30,176) who resigned from his position on September 19, 2017;
- $nil to former Chief Technology Officer (February 28, 2018 – 56,581) who resigned from his position on June 15, 2018 and continued on as a Scientific Advisor on a consulting basis until December 31, 2018.

(2) Fees paid to companies related to management personnel:
- $54,000 (February 28, 2018 - $nil) to a company controlled by the Chief Executive Officer who took on the position with the Company on March 1, 2018;
- $24,000 (February 28, 2018 - $24,000) to a company controlled by the Chief Financial Officer;
- $nil (February 28, 2018 - $9,000) paid to company owned by a director relating to the use of work space and computer equipment;
- $nil (February 28, 2018 - $4,300) for tax services paid to a partnership where a senior officer and director is a partner.

(3) Rent:
- $12,000 (February 28, 2018 - $12,000) paid for corporate office space to a company where a senior officer and director is a principal.

Accounts payable and accrued liabilities include the following amounts due to related parties:

As at	February 28, 2019	August 31, 2018
Key management personnel – expense reimbursements	$ -	$ 2,660
Key management personnel – management fees	-	3,655
	$ -	$ 6,315

(Expressed in Canadian dollars)

13. RISK AND CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2019. The Company is not subject to externally imposed capital requirements.

14. SEGMENTED DISCLOSURES

The Company has two operating segments; one being the development centre of health-related technology in the United States; the other being a Canadian clinical stage pharmaceutical development company focused on drug repurposing.

As at February 28, 2019, the Company's long-term assets are located as follows:

	Canada	United States	Total
Incorporation costs	$ -	$ 1,371	$ 1,371
License agreement	-	60,861	60,861
Intangible asset (note 6)	4,870,151	-	4,870,151
	$ 4,870,151	$ 62,232	$ 4,932,383

As at August 31, 2018, the Company's long-term assets were located as follows:

	Canada	United States	Total
Incorporation costs	$ -	$ 1,371	$ 1,371
License agreement	-	73,033	73,033
Furniture and equipment	-	53,801	53,801
	$ -	$ 128,205	$ 128,205

15. SUBSEQUENT EVENTS

N/A.