COGNETIVITY NEUROSCIENCES LTD.
(FORMERLY UTOR CAPITAL CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2018 and 2017

(EXPRESSED IN CANADIAN DOLLARS)

Management’s Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

May 25, 2018

“Sina Habibi”	*“David Velisek”*
Director	Director

MNP LLP

To the Shareholders of Cognetivity Neurosciences Ltd.:

We have audited the accompanying consolidated financial statements of Cognetivity Neurosciences Ltd., which comprise the consolidated statements of financial position as at January 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We believe that the audit evidence we have obtained 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 of Cognetivity Neurosciences Ltd. as at January 31, 2018 and 2017, 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 of these consolidated financial statements which state that the Company incurred significant operating losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Vancouver, British Columbia
May 25, 2018

Chartered Professional Accountants

Cognetivity Neurosciences Ltd. (formerly Utor Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	January 31, 2018	January 31, 2017
		$	$
ASSETS			
Current			
Cash		138,797	32,227
Short term investment	**5**	3,470,000	-
Prepaids		15,256	-
Interest and tax receivable		119,934	33,439
Total Current Assets		3,743,987	65,666
Equipment	**6**	10,416	2,807
TOTAL ASSETS		3,754,403	68,473
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		327,844	64,396
Due to related parties	**8**	38,202	103,507
Total Liabilities		366,046	167,903
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Common shares	**7**	1,519,911	459,960
Reserves	**7**	80,060	-
Special warrants	**7**	3,840,140	-
Deficit		(2,071,702)	(575,898)
Accumulative other comprehensive income		19,948	16,508
Total Shareholders' Equity (Deficiency)		3,388,357	(99,430)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,754,403	68,473

Approved on Behalf of the Board of Directors on May 25, 2018:

"Sina Habibi" Director
Sina Habibi

"David Velisek" Director
David Velisek

The accompanying notes are integral to these consolidated financial statements.

Cognetivity Neurosciences Ltd. (formerly Utor Capital Corp.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars, except per share amounts)

	Notes	January 31, 2018	January 31, 2017
		$	$
Expenses			
Consulting fees		251,406	190,778
Depreciation	6	1,434	240
Foreign exchange loss (gain)		7,090	(17,805)
General and administration		24,739	12,174
Listing expenses	4	654,912	-
Marketing and advertising		8,369	27,779
Professional fees		148,410	48,877
Rent		67,804	-
Research and development		82,141	63,092
Salaries and benefits		193,756	116,816
Travel		43,383	17,043
Transfer agent and regulatory		17,600	-
		1,501,044	458,994
Income Before Other Income (Expenses)			
Interest income		5,240	150
Net Loss		1,495,804	458,844
Other Comprehensive Income			
Unrealized gain (loss) on foreign exchange translation		3,440	22,043
Comprehensive loss		1,492,364	436,801
Basic and diluted loss per common share		0.05	0.02
Weighted average number of common shares outstanding		29,556,688	22,686,151

The accompanying notes are integral to these consolidated financial statements.

Cognetivity Neurosciences Ltd. (formerly Utor Capital Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, except per share amounts)

	Common Share		Class B Share						
	Number of Shares	$	Number of Shares	$	Special Warrants $	Warrant Reserve $	AOCI $	Deficit $	Shareholders' Deficiency $
Balance – January 31, 2016	5,000	10	-	-	-	-	(5,535)	(117,054)	(122,579)
Shares issued for services	16,495,000	95,948	-	-	-	-	-	-	95,948
Shares issued for investments	13,500,000	364,002	-	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	22,043	(458,844)	(436,801)
Balance – January 31, 2017	30,000,000	459,960	-		-	-	16,508	(575,898)	(99,430)
Share issued for services	333,333	61,553	-	-	-	-	-	-	61,553
Shares exchanged for reverse takeover	(30,333,333)	-	-	-	-	-	-	-	-
Shares issued for the reverse takeover transaction (Note 4)	19,999,998	-	10,000,002	-	-	-	-	-	-
Shares issued as finder's fees for the reverse takeover transaction (Note 4)	800,000	167,200	-	-	-	-	-	-	167,200
Fair value of shares take effect of the reverse takeover	3,977,024	831,198	-	-	-	-	-	-	831,198
Special Warrants issued, net of share issuance costs	-	-	-	-	3,840,140	-	-	-	3,840,140
Finder's Warrants issued	-	-	-	-	-	80,060	-	-	80,060
Net loss and comprehensive loss for the year	-	-	-	-	-	-	3,440	(1,495,804)	(1,492,364)
Balance - January 31, 2018	24,777,022	1,519,911	10,000,002	-	3,840,140	80,060	19,948	(2,071,702)	3,388,357

The accompanying notes are integral to these consolidated financial statements.

Cognetivity Neurosciences Ltd. (formerly Utor Capital Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	January 31, 2018 $	January 31, 2017 $
Cash provided by (used in) operating activities		
Net loss for the year	(1,495,804)	(458,844)
Non-cash items:		
Depreciation	1,434	240
Listing expenses	475,675	95,948
Shares issued for services	228,752	-
Changes in non-cash operating working capital:		
Interest and tax receivable	(74,149)	(35,709)
Prepaids	(14,717)	-
Accounts payable & accrued liabilities	88,521	42,292
Due to/from related parties	(69,442)	29,890
Net cash used in operating activities	(859,730)	(326,183)
Cash flows from investing activities:		
Acquisition of equipment	(8,583)	(3,264)
Purchase of short term investment	(3,470,000)	-
Net cash used in investing activities	(3,478,583)	(3,264)
Cash flows from financing activities:		
Net cash acquired from reverse takeover	4,437,785	-
Proceeds from private placement, net issuance costs	-	364,003
Net cash provided by financing activities	4,437,785	364,003
Effect of foreign exchange	7,098	(2,517)
Increase in cash	99,472	34,556
Cash, beginning of the year	32,227	188
Cash, end of the year	138,797	32,227

The accompanying notes are integral to these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Cognetivity Neurosciences Ltd. (formerly “Utor Capital Corp.”) (the “Company”) was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at 1980-1075 W. Georgia St., Vancouver BC, V6E 3C9, Canada and registered office is located at 1500-1055 W. Georgia St., Vancouver, BC, V6E 4N7, Canada. The Company is engaged in the development of an algorithm for early stage detection of Alzheimer's and Dementia.

On December 21, 2017, the Company completed a merger (the “Transaction”) whereby the Company acquired 100% of the issued and outstanding common shares of Cognetivity Ltd. (“CGN”), a company registered in England and Wales, and changed its name to “Cognetivity Neurosciences Ltd.” The Company’s common shares commenced trading on the Canadian Securities Exchange (the “CSE”) on March 19, 2018 under the stock symbol “CGN”.

This Transaction was accounted for as a reverse acquisition as the former shareholders of CGN acquired control of the Company. The Transaction is considered a purchase of the Company’s operations by the shareholders of CGN. The Transaction is recorded in accordance with guidance provided in IFRS 2 “Share Based Payments”. As the Company did not qualify as a business according to the definition in IFRS 3, this Transaction did not constitute a business combination; rather it is treated as an issuance of shares by CGN for the net assets of the Company. In accordance with IFRS 2, the consolidated financial statements are in the name of Cognitivity Neurosciences Ltd. (formerly Utor Capital Corp.) however, are a continuation of the consolidated financial statements of CGN, the accounting acquirer. Additional information on the arrangement is available in note 4.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as going concern.

The development of its business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On January 31, 2018, the Company had not yet achieved profitable operations, had an accumulated deficit of $2,071,702, and working capital of $3,377,941, and expects to incur losses in the development of its business.

2. BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements include the accounts of Cognetivity Neurosciences Ltd., and Cognetivity Ltd. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiary is fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases. Inter-company balances and transactions and any unrealized income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of Cognetivity Neurosciences Ltd. is the Canadian dollar ("C$") and of CGN is the British Pounds. The reporting currency of the Company is Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

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

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

b. Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the 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 the revision affects both current and future periods. Critical estimate used in the preparation of these financial statements including the following:

<u>Recoverability of deferred tax assets</u>

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

<u>Fair value calculation of share-based payments</u>

The fair value of share-based payments in relation to the reverse takeover is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Significant accounting judgments and estimates (continued)

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated statements of financial position is going concern.

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended January 31, 2018 and 2017. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its access to replacement financing for the future twelve months.

c. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial instruments

The Company classifies financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. All financial instruments are initially measured at fair value. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company has classified cash and short term investment as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company has classified trade and other receivables as loans and receivables.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within twelve months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company has no Available-for-sale financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial instruments (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities. The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

e. Impairment of financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in the statement of loss and comprehensive loss. If the amount of the impairment decreases in a subsequent period and the decrease can by objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed, up to the original carrying value of the asset. Any reversal is recognized in the statement of income and comprehensive income.

f. Loss per share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

h. Cash

Cash consists of cash balances with bank.

i. Short Term Investments

Short term investments consist of investments with market values closely approximating book values and original maturities between three and twelve months at the time of purchase.

j. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

k. Research and Development (R&D) tax credit

R&D tax credits are recorded as a reduction of the related research and development expenditures upon receipts from the tax authority in the UK. These non-repayable R&D tax credits are earned in respect to research and development costs incurred in the UK and are recorded as a reduction of the related research and development expenditures, provided that there is reasonable assurance that the credit will be recovered.

l. Share capital

Common shares, Class B Shares, and special warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Share-based payments transactions

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

n. Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

o. Accounting standards issued but not yet adopted

The Company has assessed the impact of these new standards on the financial statements and has determined that the application of these standards will not have a material impact on the results and the financial position of the Company.

<u>IFRS 9 Financial instruments</u>
On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments (“IFRS 9”). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new “expected credit loss” model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting ore closely with risk management. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company has determined that the adoption of this standard has no impact on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Accounting standards issued but not yet adopted (continued)

IFRS 2 Share-based Payment (Amendment)
In June 2016, the International Accounting Standards Board (IASB) issued amendments to IFRS 2, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2016, to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on 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 amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has determined that the adoption of this standard has no impact on its consolidated financial statements.

IFRS 16 Leases (New)
In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet determined the impact on its consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatment
In June 2017, the IASB issued IFRIC 23, to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company has not yet determined the impact on its consolidated financial statements.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

4. REVERSE TAKE-OVER

On October 23, 2017, the Company signed a share exchange agreement with Cognetivity Ltd. whereby the Company acquires 100% of the issued and outstanding common shares of Cognetivity Ltd., a company registered in England and Wales on April 10, 2013, for an aggregate of 19,999,998 common shares of the Company and 10,000,002 of Class B Shares of the Company. Cognetivity Ltd. is in the business of developing a platform technology comprising of a visual stimulus based diagnostic test and artificial intelligence tools to support the early detection and monitoring of cognitive impairment in neurodegenerative diseases, with initial emphasis on dementia in Alzheimer's Disease and Mild Cognitive Impairment, a difficult-to-diagnose, “pre-dementia” condition.

On December 21, 2017, the Company completed the Transaction by acquiring all of the issued and outstanding common shares of Cognetivity Ltd. The Company issued 800,000 common shares as finder’s fee in connection with the completion of the Transaction.

As a result of the Transaction, the shareholders of Cognetivity Ltd. owned approximately 80% of the issued and outstanding common shares of Cognetivity Neurosciences Ltd. on a non-diluted basis. The acquisition of Cognetivity Ltd. by the Company constitutes a reverse asset acquisition (“RTO”). Because Cognetivity Neurosciences Ltd. does not meet the definition of a business, as defined by IFRS 3, Business Combinations, for accounting and reporting purposes, Cognetivity Ltd. is the accounting acquirer and Cognetivity Neurosciences Ltd. is the accounting acquiree. Accordingly, the acquisition of the net assets and listing status of Cognetivity Neurosciences Ltd. is accounted for as a share-based payment as follows:

Net asset acquired:	
Cash and cash equivalents	$ 4,437,785
Prepaid	7,718
Accounts payable and accrued liabilities	(169,780)
Total net asset acquired	$ 4,275,723
Consideration paid:	
Fair value of the Company’s 3,977,024 common shares	$ 831,198
Fair value of the Company’s 16,670,000 special warrants, net of share issuance costs	3,840,140
Fair value of the Company’s 988,400 brokers warrants	80,060
Total consideration paid:	$ 4,751,398

The fair value of the common shares was calculated based on the value of the most recent private placement completed prior to the Transaction.

The fair value of warrants is valued by using the Black-Scholes option pricing model with the following assumptions:

Stock price volatility	96.96%
Risk free interest rate	1.45%
Expected life	2 year
Expected dividend yield	nil

(Expressed in Canadian dollars)

4. REVERSE TAKE-OVER (continued)

Costs Attributable to Obtaining a Listing Status:

Total consideration paid	$	4,751,398
Net assets acquired		(4,275,723)
Listing costs:	$	475,675

Under RTO accounting, the existing share capital and deficit balances of Cognetivity Neurosciences Ltd. before the transaction date are eliminated.

In connection with the Transaction, additional costs were incurred for professional fees and finders' fees for a total of $179,237. The finders' fees were paid in shares with a fair value of $167,200, which is determined using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.45%, a dividend yield of 0%, an expected volatility of 96.96% and an expected life of two years.

5. SHORT TERM INVESTMENT

As at January 31, 2018, the Company has a short term investment of $3,470,000 (2017 - nil) with a major financial institution and $9,117 interest receivable due on November 15, 2018. The short term investment has an annual yield of prime minus 2.0%.

6. EQUIPMENT

Cost	
As at January 31, 2016	$ -
Additions	3,265
Foreign exchange movement	(235)
As at January 31, 2017	3,030
Additions	8,588
Foreign exchange movement	524
January 31, 2018	$ 12,142
Accumulated depreciation	
As at January 31, 2016	$ -
Additions	240
Foreign exchange movement	(17)
As at January 31, 2017	223
Additions	1,434
Foreign exchange movement	69
January 31, 2018	$ 1,726
Net book value	
January 31, 2017	$ 2,807
January 31, 2018	$ 10,416

7. SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited Class B Shares without par value

The holders of the Class B Shares are not entitled to receive notice of and to attend any meeting of the shareholders of Cognetivity or to vote on any matter at any meetings of shareholders of Cognetivity. The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares shall be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Company's shareholders for the purpose of winding up its affairs, to share rateably, together with the holders of Common Shares in such assets of Cognetivity as are available for distribution.

Each Class B Share shall automatically convert into one Common Share, without payment of additional consideration, upon Cognetivity attaining the CE Marketing approval for the cognitive assessment tool kit as a medical device.

All Class B Shares are not subject to any pre-emptive rights, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Class B Shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Common Shares are adjusted proportionately.

A. Issued shares

a) During the year ended January 31, 2017, 16,495,000 common shares were issued to settle the accounts payable balances in relation to the services provided by directors of the Company with total amounts of $95,948 (GBP: £54,445). 13,500,000 common shares were issued for proceeds of $364,002 (GBP: £206,550).

b) On July 17, 2017, 333,333 common shares were issued to settle the accounts payable balance in relation to the services provided by a consultant of the Company with total amounts of $61,553 (GBP: £36,667).

c) On December 21, 2017, in a reverse takeover acquisition, the outstanding shares of Cognetivity Ltd. were exchanged for 19,999,998 common shares of the Company and 10,000,002 Class B shares of the Company. In connection with the Transaction, 800,000 Common Shares were issued as finder's fees at a deemed price of $0.209 per share. (See Note 4)

B. Special Warrants

On October 26, 2017, the Company completed a non-brokered private placement of a gross proceeds of $4,167,500, which consist of 16,670,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one Unit immediately prior to receiving the final receipt of a non-offering prospectus by the British Columbia Securities Commission. Each Unit will consist of one common share and one-half of one common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one additional common share from the issuer at an intended exercise price of $0.35 per share for a period of two years. The Company paid $247,300 and issued 988,400 broker's warrants with the same terms as the Warrant as finders' fees. The Special Warrant were converted on March 2, 2018 (Also see Note 12).

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

C. Share Purchase Warrants

988,400 finders' warrants were issued with a fair value of $80,060 recorded as share issuance cost, in share capital. The fair value of warrants issued during the period as finder's fee for the private placement that closed on October 26, 2017 was estimated using the Black-Scholes Option Pricing Model with the following assumptions at the issue date: risk free interest rate of 1.45%; dividend yield of 0%; expected volatility of 96.96%; and expected life of 2 years. The expected volatility is estimated by using the average historical volatility of comparable companies that have a trading history. The risk-free interest rate is based on yields from Canadian government bond yields with a term equal to the expected term of the options being valued. The expected life of warrants represents the period of time that the options are expected to be outstanding based on the contractual term of the warrants.

The following table reflects the continuity of warrants for the years ended January 31, 2018 and 2017:

	Number of warrants	Weighted average exercise price
Balance, January 31, 2017	-	-
Issued	988,400	$0.35
Balance, January 31, 2018	988,400	$0.35

The following is a summary of the warrants outstanding as at January 31, 2018:

Grant Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
October 26, 2017	October 26, 2019	$ 0.35	988,400	988,400

The weighted average remaining contractual life is 1.73 years.

8. RELATED PARTY TRANSACTIONS

During the years ended January 31, 2018 and 2017, the Company incurred the following expenses to related parties:

	2018	**2017**
Consulting fees – CEO and a director	$ 136,908	$ 95,161
Salaries and wages – CEO and a director	-	23,820
Consulting fees – CMO and a director	-	31,720
Salaries and wages – CMO and a director	47,876	3,838
Salaries and wages – CSO	47,876	48,798
Consulting fees – CCO and a director	45,356	31,720
Salaries and wages – CCO and a director	-	4,799
Consulting fees – COO	57,955	31,720
Salaries and wages – COO and a director	-	3,838
	$ 335,971	$ 275,414

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (continued)

As at January 31, 2018 and 2017, the Company has the following balance owing to related parties:

	January 31, 2018	January 31, 2017
CEO and a director	$ 6,788	$ 40,699
CMO and a director	-	8,339
CSO	10,460	17,175
CCO and a director	13,075	20,119
COO	10,460	17,175
	$ 40,783	$ 103,507

As at January 31, 2018 and 2017, the Company has the following balance receivable from related parties:

	January 31, 2018	January 31, 2017
CMO and a director	$ 2,581	$ -

Due to/from related parties are unsecured, non-interest bearing, and due on demand with no specific terms of repayment.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

	2018 $	2017 $
Financial assets		
FVTPL at fair value:		
Cash and short term investment	3,608,797	32,227
Loans and receivables at amortized cost:		
Trade trade and other receivables, excluding tax receivables	9,117	-
Financial Liabilities		
Other financial liabilities at amortized cost:		
Accounts payable and accrued liabilities:	327,844	64,396
Due to related parties	38,202	103,507

Fair value of financial instruments

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities.
Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly.
Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

Cash and short term investment	Level 1 $	Level 2 $	Level 3 $	Total $
As at January 31, 2018	3,608,797	-	-	3,608,797
As at January 31, 2017	32,227	-	-	32,227

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and short term investment. Risk associated with cash and short term investment is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and short term investment. The Company believes that the capital sources will be sufficient to cover the expected short and long-term cash requirements by obtaining financing through the issuance of debt or common shares.

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk
The Company has cash and cash equivalents balances and short term investment. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is not currently exposed to interest rate risk.

Currency risk
The Company incurred expenses primarily in the UK and is exposed to risk from changes in foreign currency exchange rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the Canadian dollar relative to the Pound Sterling could have an effect on the Company's results of operations, financial position and/or cash flows. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the Pound Sterling. The Company has not hedged its exposure to currency fluctuations.

(Expressed in Canadian dollars)

10. CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital restructure. There was no change in the Company's approach to capital management during the year ended January 31, 2018.

11. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended January 31, 2018 and 2017.

		January 31 2018		January 31 2017
Net loss before tax	$	(1,495,804)	$	(458,844)
Statutory tax rate		26.08%		20.00%
Expected income tax expenses (recovery)		(390,156)		(91,769)
Non-deductible items		153,349		-
Foreign tax rate difference		54,543		-
Change in deferred tax assets not recognized		182,264		91,769
Total income tax expense (recovery)	$	-	$	-

The statutory tax rate increased from 20% to 26.08% due to the Company being listed on the Canadian Stock Exchange.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at January 31, 2018 and 2017 are comprised of the following:

		January 31 2018		**January 31 2017**
Net operating loss carryforwards (Canada)	$	272,332	$	-
Net operating loss carryforwards (UK)		1,446,116		566,847
Equipment		1,728		240
Eligible capital property		2,006		-
Financing costs		263,071		-
Total unrecognized deductible temporary differences	$	1,985,253	$	567,087

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

As at January 31, 2018, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $272,332 (2017: $nil) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		Total
2036	$	3,794
2037		197,305
2038		71,233
Total	$	272,332

As at January 31, 2018, the Company has not recognized a deferred tax asset in respect of net operating loss carryforwards of £829,528 (2017: £321,652) which may be carried forward indefinitely to apply against future income for UK income tax purposes, subject to final determination by taxation authorities.

12. SUBSEQUENT EVENTS

a) On March 2, 2018, the Company has converted 16,670,000 special warrants into 16,670,000 common shares and 16,670,000 warrants at an exercise price of $0.35 per share, which will expire on October 26, 2019.

b) On March 19, 2018, the Company commenced trading on CSE under the ticker symbol “CGN”. Upon listing on the CSE, 10,879,121 common shares and 5,439,560 Class B shares were held in escrow. On May 3rd, 2018, the Company commenced trading on Frankfurt Stock Exchange under the ticker symbol “IUB”.

c) On March 19, 2018, the Company granted 3,600,000 stock options to directors, officers and consultants of the Company. The stock options are exercisable at $0.25 and expire on March 19, 2023.