COGNETIVITY NEUROSCIENCES LTD.
(FORMERLY UTOR CAPITAL CORP.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

(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 29, 2019

"Sina Habibi"
Director

"David Velisek"
Director

Independent Auditor's Report

To the Shareholders of Cognetivity Neurosciences Ltd.:

Opinion

We have audited the consolidated financial statements of Cognetivity Neurosciences Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had working capital of $453,464 and an accumulated deficit of $6,264,320 as of January 31, 2019, and the Company's ability to continue as a going concern is dependent on its ability to raise equity financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

MNP LLP

Vancouver, British Columbia
May 29, 2019

Chartered Professional Accountants

Cognetivity Neurosciences Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars, except per share amounts)

As at	**Note**	**January 31, 2019**	**January 31, 2018**
		$	**$**
ASSETS			
Current			
Cash		250,746	138,797
Short term investment	**6**	128,000	3,470,000
Prepaids		110,224	15,256
Interest and tax receivable		56,726	119,934
Research and development tax credit		144,679	-
Total Current Assets		690,375	3,743,987
Equipment	**7**	25,946	10,416
TOTAL ASSETS		716,321	3,754,403
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		217,810	327,844
Due to related parties	**9**	19,101	38,202
Total Liabilities		236,911	366,046
SHAREHOLDERS' EQUITY			
Common shares	**8**	5,180,324	1,519,911
Reserves	**8**	1,562,099	80,060
Special warrants	**8**	-	3,840,140
Deficit		(6,264,320)	(2,071,702)
Accumulative other comprehensive income		1,307	19,948
Total Shareholders' Equity		479,410	3,388,357
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		716,321	3,754,403

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

Approved on Behalf of the Board of Directors on May 29, 2019:

"Sina Habibi"	Director	*"David Velisek"*	Director
Sina Habibi		David Velisek	

The accompanying notes are integral to these consolidated financial statements.

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

		For the Years Ended January 31,	
		2019	**2018**
	Note	**$**	**$**
Expenses			
Consulting fees		807,728	251,406
Depreciation	**7**	3,942	1,434
Foreign exchange loss		1,282	7,090
General and administration		112,634	24,739
Listing expenses		62,000	654,912
Marketing and advertising		855,933	8,369
Professional fees		176,091	148,410
Rent		111,771	67,804
Research and development		732,366	82,141
Salaries and benefits		325,413	193,756
Share-based payments	**8**	868,561	-
Travel		96,353	43,383
Transfer agent and regulatory		59,513	17,600
		4,213,587	1,501,044
Other Expense (Income)			
Interest income		(21,401)	(5,240)
Loss on asset disposal		432	-
Net Loss		4,192,618	1,495,804
Other Comprehensive Loss (Income)			
Items that will be reclassified subsequently to loss (income)			
Unrealized (gain) loss on foreign exchange translation		18,641	(3,440)
Comprehensive loss		4,211,259	1,492,364
Basic and diluted loss per common share		0.10	0.05
Weighted average number of common shares outstanding		40,411,435	29,556,688

The accompanying notes are integral to these consolidated financial statements

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

	Common Share Number of Shares #	Common Share $	Class B Share Number of Shares #	Special Warrants $	Reserves $	AOCI $	Deficit $	Shareholders' Equity $
Balance – January 31, 2017	30,000,000	459,960	-	-	-	16,508	(575,898)	(99,430)
Shares issued for services	333,333	61,553	-	-	-	-	-	61,553
Shares issued for the reverse takeover transaction (Note 5)	19,999,998	-	10,000,002	-	-	-	-	-
Shares issued as finder's fees for the reverse takeover transaction (Note 5)	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
Common shares attached to Special Warrants	16,670,000	3,156,670	-	(3,156,670)	-	-	-	-
Warrants attached to the Special Warrants	-	-	-	(683,470)	683,470	-	-	-
Stock options granted and vested	-	-	-	-	868,561	-	-	868,561
Shares issued as compensation for advisory services	300,000	135,000	-	-	-	-	-	135,000
Shares issued from warrants exercised	853,571	368,743	-	-	(69,992)	-	-	298,751
Net loss and comprehensive loss for the year	-	-	-	-	-	(18,641)	(4,192,618)	(4,211,259)
Balance – January 31, 2019	42,600,593	5,180,324	10,000,002	-	1,562,099	1,307	(6,264,320)	479,410

The accompanying notes are integral to consolidated financial statements

Cognetivity Neurosciences Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the Years Ended January 31, 2019 $	2018 $
Cash provided by (used in) operating activities		
Net loss for the year	(4,192,618)	(1,495,804)
Non-cash items:		
Depreciation	3,942	1,434
Listing expenses	-	475,675
Shares-based payment	868,561	-
Shares issued for services	78,750	228,752
Changes in non-cash operating working capital:		
Interest and tax receivable	62,260	(74,149)
Prepaids	(38,952)	(14,717)
Research and development credit	(145,124)	-
Accounts payable and accrued liabilities	(108,772)	88,521
Due to related parties	(18,743)	(69,442)
Net cash used in operating activities	(3,490,696)	(859,730)
Cash flows from investing activities:		
Acquisition of equipment	(21,109)	(8,583)
Disposal of equipment	1,476	-
Redemption of short term investment	3,807,000	-
Purchase of short term investment	(465,000)	(3,470,000)
Net cash provided by (used in) investing activities	3,322,367	(3,478,583)
Cash flows from financing activities:		
Net cash acquired from reverse takeover	-	4,437,785
Proceeds from warrants exercised	298,751	-
Net cash provided by financing activities	298,751	4,437,785
Effect of foreign exchange on cash	(18,473)	7,098
Net increase in cash	111,949	106,570
Cash, beginning of the year	138,797	32,227
Cash, end of the year	250,746	138,797

Non-cash financing and investing activities (Note 10)

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 a technology company developing a cognitive testing platform, the Integrated Cognitive Assessment (ICA), for use in medical and commercial environments for potentially allowing early diagnosis of 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". The Company also commenced trading on the Frankfurt Stock Exchange in Germany under the stock symbol "IUB" and the OTCQB in USA under the stock symbol "CGNSF" on May 3, 2018 and September 4, 2018 respectively.

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 Cognetivity 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 5.

These consolidated financial statements have been prepared using International Financial Reporting Standards 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 development of the Company's 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, 2019, the Company had not yet achieved profitable operations, had an accumulated deficit of $6,264,320 (2018: $2,071,702), and working capital of $453,464 (2018: $3,377,941), and expects to incur losses in the development of its business. Accordingly, there is a material uncertainty that may cast significant doubt on Company's ability to continue as going concern. 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 consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and balance sheet classification used, that would be necessary if the Company were unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2019.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and are prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended January 31, 2018, with the exception of the adoption of IFRS 9 as described below.

a. Adoption of new accounting standards

Commencing February 1, 2018, the Company adopted IFRS 9. The adoption of this new accounting standard did not have material impact to the Company's consolidated financial statements.

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classifications for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). The new standard eliminates the previous IAS 39 categories of held to maturity, loan and receivables, and available for sale.

Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

Following is the new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Adoption of new accounting standards (continued)

(i) Classification (continued)

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets	**Classification under IAS 39**	**Classification under IFRS 9**
Cash	FVTPL	Amortized cost
Short term investment	FVTPL	Amortized cost
Interest receivable	Loans and receivable	Amortized cost

Financial liabilities	**Classification under IAS 39**	**Classification under IFRS 9**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS39 to IFRS 9.

(ii) Measurement

Financial assets and liabilities at amortized cost

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

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Operations and Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

b. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and Cognetivity Ltd., the Company's wholly owned subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of consolidation (continued)

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

c. 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 the Company is the Canadian dollar ("C$") and Cognetivity Ltd. is the British Pounds ("GBP"). 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.

d. Cash

Cash consists of cash balances with bank.

e. 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.

f. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the Consolidated Statements of Operations and comprehensive Loss.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

h. 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.

i. Share capital

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

j. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Warrants

Proceeds from issuances by the Company of units consisting of common shares and warrants other than the special 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 common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, a nil carrying amount is assigned to the warrants.

The special warrants are fair valued using the Black-Scholes Option Pricing Model.

l. 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.

m. 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)

n. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss) is presented in the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Changes in Equity.

o. Accounting standards issued but not yet adopted

The IASB has replaced IAS 17, Leases in its entirety with IFRS 16, Leases, which will require lessees to recognize nearly all leases on the balance sheet to reflect their right to use an asset for a period of time and the associated lease liability. IFRS 16 is effective for annual periods commencing on or after January 1, 2019. The Company does not expect the adoption of this standard will have a material impact to the Company’s consolidated financial statements.

4. 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 consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

a. Key sources of estimation uncertainty

<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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

a. Key sources of estimation uncertainty (continued)

Fair value calculation of share-based payments

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.

b. Critical judgments in applying accounting policies

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 year ended January 31, 2019. 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.

5. 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.

(Expressed in Canadian dollars)

5. REVERSE TAKE-OVER (continued)

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

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.

(Expressed in Canadian dollars)

6. SHORT TERM INVESTMENT

As at January 31, 2019, the Company has a short term investment of $128,000 (January 31, 2018 – $3,470,000) with a major financial institution and mature on April 1, 2019. The short term investment has an annual yield of prime minus 2.7% (2018: prime minus 2.25%).

7. EQUIPMENT

Cost	$
As at January 31, 2017	3,030
Additions	8,588
Effect of change in exchange rate with GBP	524
As at January 31, 2018	12,142
Additions	21,109
Disposal	(1,476)
Effect of change in exchange rate with GBP	(192)
As at January 31, 2019	31,583
Accumulated depreciation	
As at January 31, 2017	223
Additions	1,434
Effect of change in exchange rate with GBP	69
As at January 31, 2018	1,726
Additions	3,942
Effect of change in exchange rate with GBP	(31)
As at January 31, 2019	5,637
Net book value	
January 31, 2017	2,807
January 31, 2018	10,416
January 31, 2019	25,946

8. 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.

8. SHARE CAPITAL (continued)

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, 2019, 853,571 warrants were exercised at $0.35 each for a total of $298,750. In relation to the exercise of the warrants, the proportionate fair value of $69,992 was allocated from reserves (see Note 8C).

b) On July 16, 2018, the Company has issued 300,000 common shares at $0.45 per share for prepaid advisory services that amounted to $135,000.

c) On March 2, 2018, as a result of the conversion of Special Warrants, the Company issued 16,670,000 common shares and 8,335,000 warrants and the common shares were valued at $3,484,031 (see Note 8B).

d) 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 5).

e) 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 $61,552 (GBP: 36,667).

B. Special Warrants

On October 26, 2017, the Company completed a non-brokered private placement of a gross proceeds of $4,167,500, which consisted 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 fair value of the common share is $3,484,031, which is determined by using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.43%, a dividend yield of 0%, an expected volatility of 96.96% and an expected life of two years.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

B. Special Warrants (continued)

The Company paid $247,300 and issued 988,400 broker's warrants with the same terms as the Warrant as finders' fees. The broker's warrants were valued at $80,060 using the Black-Scholes Option Pricing Model with the following assumption 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.

On March 2, 2018, the Company converted 16,670,000 special warrants into 16,670,000 common shares and 8,335,000 warrants at an exercise price of $0.35 per share, which will expire on October 26, 2019.

C. Warrants

On October 26, 2017, 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 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.

On March 2, 2018, as part of the conversion of the Special Warrants 8,335,000 warrants were issued with a fair value of $683,470 recorded as reserves, in share capital. The fair value of warrants was estimated using the Black-Scholes Option Pricing Model with the following assumptions at the issue date: risk free interest rate of 1.43%; dividend yield of 0%; expected volatility of 96.96%; and expected life of two years.

The following table reflects the continuity of warrants for the year ended January 31, 2019 and 2018:

	January 31, 2019		January 31, 2018	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding, beginning of the year	988,400	0.35	-	-
Issued	8,335,000	0.35	988,400	0.35
Exercised	(853,571)	0.35	-	-
Warrants outstanding, end of the year	8,469,829	0.35	988,400	0.35

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

C. Warrants (continued)

The warrants outstanding at January 31, 2019 are as follows:

Number Outstanding	Exercise Price	Grant Date	Expiry Date
8,469,829	$0.35	October 26, 2017	October 26, 2019

D. Options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the year ended January 31, 2019 and 2018 is as follows:

	January 31, 2019		January 31, 2018	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Options outstanding, beginning of the year	-	-	-	-
Granted	4,000,000	0.27	-	-
Options outstanding and exercisable, end of the year	4,000,000	0.27	-	-

The options outstanding at January 31, 2019 are as follows:

Number of Options Outstanding and Exercisable	Exercise Price $	Grant Date	Expiry Date
3,600,000	0.25	March 19, 2018	March 19, 2023
100,000	0.43	June 22, 2018	June 22, 2023
50,000	0.39	September 25, 2018	September 25, 2021
150,000	0.41	December 11, 2018	December 11, 2021
100,000	0.41	December 11, 2018	December 11, 2023

On March 19, 2018, the Company granted 3,600,000 options to directors, officers and consultants of the Company. The options are exercisable at $0.25, fully vested immediately and expire on March 19, 2023. The Company recorded a share based payment amount of $749,160. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.96%; dividend yield of 0%; expected volatility of 104.90%; and expected option life of 5 years.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

D. Share purchase option compensation plan (continued)

On June 22, 2018, the Company granted 100,000 options to public relations consultants of the Company. The options are exercisable at $0.43, fully vested immediately and expire on June 22, 2023. The Company recorded a share based payment amount of $33,636. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.94%; dividend yield of 0%; expected volatility of 109.68%; and expected option life of 5 years.

On September 25, 2018, the Company granted 50,000 options to a consultant of the Company. The options are exercisable at $0.39, fully vested immediately and expire on September 25, 2021. The Company recorded a share based payment amount of $12,260. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 2.19%; dividend yield of 0%; expected volatility of 102.33%; and expected options life of 3 years.

On December 11, 2018, the Company granted a total of 250,000 stock options to an employee and a consultant of the Company. The 100,000 options to the employee are exercisable at $0.41 and expire on December 11, 2023. The Company recorded a share based payment amount of $33,290. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options to the employee using following assumptions: risk free interest rate of 2.03%; dividend yield of 0%; expected volatility of 117.16%; and expected options life of 5 years.

The 150,000 options to the consultant are exercisable at $0.41 and expire on December 11, 2021. The Company recorded a share based payment amount of $40,215. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options to the consultant using following assumptions: risk free interest rate of 2.01%; dividend yield of 0%; expected volatility of 107.96%; and expected options life of 3 years.

E. Escrow shares

As at January 31, 2019, the Company had 8,159,341 common shares held in escrow (2018 – nil).

9. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2019 and 2018, the Company incurred the following expenses to related parties:

		2019		2018
Consulting fees – CEO and a director	$	207,564	$	136,908
Salaries and wages – CMO and a director		62,269		47,876
Salaries and wages – CSO		62,269		47,876
Consulting fees – CCO and a director		62,269		45,356
Consulting fees – COO		74,377		57,955
Share-based payments – directors and officers		624,300		-
	$	1,093,048	$	335,971

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

As at January 31, 2019 and 2018, the Company has the following balance owing to (due from) related parties:

		January 31, 2019		January 31, 2018
CEO and a director	$	4,151	$	4,207
CMO and a director		2,380		-
CSO		(13)		10,460
CCO and a director		7,410		13,075
COO		5,173		10,460
	$	19,101	$	38,202

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

10. NON-CASH INVESTING AND FINANCING ACTIVITIES

		2019		2018
Shares issued from warrants exercised (Note 8A)	$	69,992	$	-
Shares issued for services (Note 5, 8A)		135,000		61,553
Shares issued from special warrants conversion (Note 8B)	$	3,156,670	$	-

11. COMMITMENT

On January 21, 2019, the Company signed a commercial agreement with Dementias Platform UK (DPUK). The Company will supply the use of its cognitive testing platform and associated hardware of up to $431,000 (GBP 250,000) to DPUK on an as-needed basis. The Company can terminate the agreement at any time without any penalty.

12. INANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are all carried at amortized cost. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as at January 31, 2019 and 2018 due to the short term nature of the instruments.

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.

(Expressed in Canadian dollars)

12. INANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

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.

Interest rate risk

The Company has cash 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 exposed to significant interest rate risk.

13. 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, 2019 and 2018.

14. 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, 2019 and 2018.

		January 31 2019		January 31 2018
Net loss before tax	$	(4,192,618)	$	(1,495,804)
Statutory tax rate		27.00%		26.08%
Expected income tax expenses (recovery)		(1,132,007)		(390,156)
Non-deductible items		228,332		153,349
Foreign tax rate difference		171,197		54,543
Change in deferred tax assets not recognized		732,478		182,264
Total income tax expense (recovery)	$	-	$	-

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The statutory tax rate increased from 26.08% to 27% due to an increase in the BC corporate tax rate on January 1, 2018.

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, 2019 and 2018 are comprised of the following:

		January 31 2019		**January 31 2018**
Net operating loss carryforwards (UK)	$	4,945	$	-
Equipment (UK)		(4,945)		-
Net deferred tax assets (liabilities)	$	-	$	-

The unrecognized deductible temporary differences at January 31, 2019 and 2018 are as follows:

		January 31 2019		**January 31 2018**
Net operating loss carryforwards (Canada)	$	1,459,145	$	272,332
Net operating loss carryforwards (UK)		3,690,671		1,446,116
Equipment (UK)		-		1,728
Eligible capital property		2,006		2,006
Financing costs		198,387		263,071
Total unrecognized deductible temporary differences	$	5,350,209	$	1,985,253

As at January 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards of approximately $1,459,145 (2018: $272,332) 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		268,537
2038		1,186,814
Total	$	1,459,145

As at January 31, 2019, the Company has not recognized a deferred tax asset in respect of net operating loss carry forwards of £2,133,705 (2018: £829,528) which may be carried forward indefinitely to apply against future income for UK income tax purposes, subject to final determination by taxation authorities.

15. SUBSEQUENT EVENTS

a) On March 19, 2019, the Company completed a non-brokered private placement of 3,084,500 units (the "Units") at a price of $0.38 per Unit for gross proceeds of $1,172,110. Each Unit consists of one common share (a "Share") and one-half common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase an additional Share at a price of $0.55 for a period of 18 months from closing, subject to acceleration.

   The Company paid $48,169 and issued 126,760 finder's warrants with the same terms as the Warrant as finders' fees.

b) On April 5, 2019, 42,000 warrants were exercised at $0.35 per warrant for a total of $14,700.