COGNETIVITY NEUROSCIENCES LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended July 31, 2019

(EXPRESSED IN CANADIAN DOLLAR)

Cognetivity Neurosciences Ltd.
Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	July 31, 2019	January 31, 2019
		$	$
ASSETS			
Current			
Cash		57,047	250,746
Short term investment	**5**	-	128,000
Prepaids		188,042	110,224
Interest and tax receivable		58,771	56,726
Research and development tax credit		-	144,679
Total Current Assets		303,860	690,375
Equipment	**6**	27,567	25,946
TOTAL ASSETS		331,427	716,321
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		151,277	217,810
Due to related parties	**8**	20,512	19,101
Total Liabilities		171,789	236,911
SHAREHOLDERS' EQUITY			
Common shares	**7**	6,408,323	5,180,324
Reserves	**7**	1,572,771	1,562,099
Deficit		(7,817,564)	(6,264,320)
Accumulative other comprehensive income (loss)		(3,892)	1,307
Total Shareholders' Equity		159,638	479,410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		331,427	716,321

Nature of operations and going concern (Note 1)

Approved on Behalf of the Board of Directors on September 27, 2019:

"Sina Habibi" Director
Sina Habibi

"David Velisek" Director
David Velisek

The accompanying notes are integral to these interim condensed consolidated financial statements.

Cognetivity Neurosciences Ltd.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	Six Months Ended July 31, 2019	Six Months Ended July 31, 2018
		$	$	$	$
Expenses					
Consulting fees		212,098	165,865	447,065	320,509
Depreciation	**6**	1,806	824	3,491	1,446
Foreign exchange loss (gain)		227	354	(555)	(300)
General and administration		36,688	36,336	55,571	54,914
Listing expenses		-	-	-	62,000
Marketing and advertising		159,904	118,144	290,367	281,809
Professional fees		9,999	8,682	36,319	13,008
Rent		30,044	27,891	56,280	55,375
Research and development		199,399	147,699	414,710	522,287
Salaries and benefits		96,017	79,945	195,619	159,157
Share-based payment	**7**	-	33,636	-	782,796
Travel		16,833	21,827	19,237	28,756
Transfer agent and regulatory		26,796	25,307	38,221	37,650
		789,811	666,510	1,556,325	2,319,407
Other Expense (Income)					
Interest income		(1,442)	(6,325)	(3,081)	(15,580)
Net Loss		788,369	660,185	1,553,244	2,303,827
Other Comprehensive Loss (Income)					
Unrealized loss on foreign exchange translation		4,572	18,887	5,199	21,504
Comprehensive loss		792,941	679,072	1,558,443	2,325,331
Basic and diluted loss per common share		0.02	0.02	0.03	0.06
Weighted average number of common shares outstanding		45,804,782	41,496,473	44,950,783	38,786,300

The accompanying notes are integral to these interim condensed consolidated financial statements

Cognetivity Neurosciences Ltd.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Share Number of Shares		Class B Share Number of Shares	Special Warrants	Reserves	AOCI	Deficit	Shareholders' Equity
	#	$	#	$	$	$	$	$
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	-	-	-	-	782,797	-	-	782,797
Shares issued as compensation for the advisors	300,000	135,000	-	-	-	-	-	135,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(21,504)	(2,303,827)	(2,325,331)
Balance – July 31, 2018	41,447,022	4,811,581	10,000,002	-	1,546,327	(1,556)	(4,375,529)	1,980,823
Balance – January 31, 2019	42,600,593	5,180,324	10,000,002	-	1,562,099	1,307	(6,264,320)	479,410
Shares issued from private placement, net of share issuance costs	3,084,500	1,098,107	-	-	25,834	-	-	1,123,941
Shares issued from warrant exercised	327,800	129,892	-	-	(15,162)	-	-	1114,730
Net loss and comprehensive loss for the period	-	-	-	-	-	(5,199)	(1,553,244)	(1,558,443)
Balance – July 31, 2019	46,012,893	6,408,323	10,000,002	-	1,572,771	(3,892)	(7,817,564)	159,638

The accompanying notes are integral to interim condensed consolidated financial statements

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

	For the Periods Ended July 31, 2019 $	2018 $
Cash provided by (used in) operating activities		
Net loss for the period	(1,553,244)	(2,303,827)
Non-cash items:		
Depreciation	3,490	1,446
Shares-based payment	-	782,797
Changes in non-cash operating working capital:		
Interest and tax receivable	(5,298)	(45,942)
Prepaids	(80,766)	(143,377)
Research and development credit	143,555	-
Accounts payable and accrued liabilities	(57,530)	(213,332)
Due to related parties	2,924	(25,246)
Net cash used in operating activities	(1,546,869)	(1,947,481)
Cash flows from investing activities:		
Acquisition of equipment	(7,145)	(18,003)
Redemption of short term investment	1,008,000	-
Purchase of short term investment	(880,000)	-
Net cash provided by (used in) investing activities	120,855	(18,003)
Cash flows from financing activities:		
Proceeds from private placement, net issuance costs	1,123,942	-
Proceeds from warrants exercised	114,729	-
Net cash provided by financing activities	1,238,671	-
Effect of foreign exchange on cash	(6,356)	(19,268)
Net increase (decrease) in cash	(193,699)	(1,984,752)
Cash, beginning of the period	250,746	3,608,797
Cash, end of the period	57,047	1,624,045

Non-cash financing and investing activities (Note 9)

The accompanying notes are integral to these interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Cognetivity Neurosciences Ltd. (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at 2250 – 1055 West Hastings Street, Vancouver BC, V6E 2E9, 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.

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.

These interim condensed 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 July 31, 2019, the Company had not yet achieved profitable operations, had an accumulated deficit of $7,817,564 (January 31, 2019 - $6,264,320), and working capital of $132,071 (January 31, 2019 - $453,464), 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 interim condensed 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 interim condensed consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34, Interim Condensed Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") on a basis consistent with the significant accounting policies disclosed in note 2 of the most recent annual financial statements as at and for the year ended January 31, 2019 as filed on SEDAR at www.sedar.com. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These interim condensed 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 interim condensed 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 interim condensed 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, 2019, 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 interim condensed 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.

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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Adoption of new accounting standards (continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

l. 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Loss per share (continued)

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.

m. 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.

n. 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 interim condensed consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these interim condensed 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 interim condensed consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the interim condensed 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 interim condensed consolidated financial statements.

a. Key sources of estimation uncertainty

Recoverability of deferred tax assets

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

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

a. Key sources of estimation uncertainty (continued)

Recoverability of deferred tax assets (continued)

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.

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 interim condensed consolidated financial statements for the period ended July 31, 2019. Management prepares the interim condensed 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. SHORT TERM INVESTMENT

As at July 31, 2019, the Company has a short term investment of Nil (January 31, 2019 - $128,000).

6. EQUIPMENT

Cost	$
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

(Expressed in Canadian dollars)

6. EQUIPMENT (continued)

Additions	7,145
Effect of change in exchange rate with GBP	(2,644)
As at July 31, 2019	36,084
Accumulated depreciation	
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
Additions	3,491
Effect of change in exchange rate with GBP	(611)
As at July 31, 2019	8,517
Net book value	
January 31, 2018	10,416
January 31, 2019	25,946
July 31, 2019	27,567

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.

7. SHARE CAPITAL (continued)

A. Issued shares

a) During the period ended July 31, 2019, 327,800 warrants were exercised at $0.35 each for a total of $129,892. In relation to the exercise of the warrants, the proportionate fair value of $15,162 was allocated from reserves (see Note 7C).

b) 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 fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was in excess of the unit offering price, the residual value assigned to the warrants is $nil.

   The Company paid $48,169 in cash and issued 126,760 non-transferrable broker's warrants with the same terms as the Warrant as finders' fees (see Note 7B).

c) 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.

d) 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. The common shares were valued at $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.

B. Warrants

a) On March 19, 2019, as part of the private placement, the Company issued 1,542,250 warrants which were valued at $nil (see Note 7A).

   The Company issued 126,760 non-transferrable broker's warrants with the same terms as the Warrant as finders' fees. The broker's warrants were valued at $25,834 using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 1.65%; dividend yield of 0%; expected volatility of 125.59% and expected life of 1.5 years.

b) 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 period ended July 31, 2019 and the year ended January 31, 2019:

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

B. Warrants (continued)

	July 31, 2019		January 31, 2019	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding, beginning of the period	8,469,829	0.29	988,400	0.35
Issued	1,669,010	0.09	8,335,000	0.35
Exercised	(327,800)	0.00	(853,571)	0.35
Warrants outstanding, end of the period	9,811,039	0.38	8,469,829	0.35

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

Number Outstanding	Exercise Price	Grant Date	Expiry Date
8,142,029	$0.35	October 26, 2017	October 26, 2019
1,669,010	$0.55	March 19, 2019	September 19, 2020

C. 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 period ended July 31, 2019 and the year ended January 31, 2019 is as follows:

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

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

C. Options (continued)

The options outstanding at July 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

a) 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.

b) 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.

c) 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.

d) 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.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

D. Escrow shares

As at July 31, 2019, the Company had 6,527,473 common shares held in escrow (January 31, 2019 – 8,159,341).

8. RELATED PARTY TRANSACTIONS

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

		2019		**2018**
Consulting fees – CEO and a director	$	102,660	$	105,624
Salaries and wages – CMO and a director		30,798		31,687
Salaries and wages – CSO		30,798		31,687
Consulting fees – CCO and a director		30,798		31,687
Consulting fees – COO		30,798		44,010
Share-based payments – directors and officers		-		624,300
	$	225,852	$	993,855

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

		July 31, 2019		**January 31, 2019**
CEO and a director	$	4,538	$	4,151
CMO and a director		2,151		2,380
CSO		2,871		(13)
CCO and a director		6,139		7,410
COO		4,813		5,173
	$	20,512	$	19,101

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

9. NON-CASH INVESTING AND FINANCING ACTIVITIES

		July 31, 2019		**July 31, 2018**
Broker's warrants issued from private placement (Note 7B)	$	25,834	$	-
Shares issued from warrants exercised (Note 7A)		15,162		-
Shares issued from special warrants conversion (Note 7A)		-		3,156,670
Warrants issued from special warrants conversion (Note 7B)		-		683,470

10. 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

10. COMMITMENT (continued)

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.

11. INANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

Financial instruments of the Company carried on the Interim Condensed 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 July 31, 2019 and January 31, 2019 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.

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.

12. 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.

12. CAPITAL MANAGEMENT (continued)

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 period ended July 31, 2019

13. SUBSEQUENT EVENT

On August 14, 2019, the Company entered into convertible loan agreements with certain lenders and issued convertible notes (the "Notes") in the aggregate principal amount of $168,000. The Notes bear interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Notes can be converted into a number of units of the Company (the "Units") at $0.26. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at $0.30 per share for two years.

On September 26, 2019, the Company entered into a convertible loan agreement with the CEO and Director of the Company and issued a convertible note (the "Note") in the aggregate principal amount of $164,110. The Note bears interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Note can be converted into a number of units of the Company (the "Units") at $0.13. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at $0.15 per share for two years. The fair market value of the Note does not exceed 25% of the Company's market capitalization.