



Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)

## **3D Signatures Inc.**

Three and nine months ended March 31, 2018  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three and nine months ended March 31, 2018.



**Condensed Consolidated Interim Statements of Financial Position**  
 (expressed in Canadian dollars)  
 (unaudited)

|  | Note | March 31, 2018      | June 30, 2017       |
|--|------|---------------------|---------------------|
| <b>Assets</b>                                |      |                     |                     |
| Current assets                               |      |                     |                     |
| Cash   |      | \$ 618,411          | \$ 1,200,395        |
| Amounts receivable                           |      | 135,056             | 332,551             |
| Prepaid expenses                             | 5    | 458,935             | 665,716             |
| Total current assets                         |      | 1,212,402           | 2,198,662           |
| Non-current assets                           |      |                     |                     |
| Prepaid expenses                             | 5    | 165,411             | 446,918             |
| Property and equipment                       |      | 373,636             | 467,187             |
| Total non-current assets                     |      | 539,047             | 914,105             |
| <b>Total assets</b>                          |      | <b>\$ 1,751,449</b> | <b>\$ 3,112,767</b> |
| <b>Liabilities and Equity</b>                |      |                     |                     |
| Current liabilities                          |      |                     |                     |
| Accounts payable and accrued liabilities     |      | \$ 821,713          | \$ 864,899          |
| Current portion of deferred rent obligations |      | -                   | 4,355               |
| Total current liabilities                    |      | 821,713             | 869,254             |
| Non-current liabilities                      |      |                     |                     |
| Deferred rent obligations                    |      | -                   | 16,997              |
| Total non-current liabilities                |      | -                   | 16,997              |
| Total liabilities                            |      | 821,713             | 886,251             |
| Equity                                       |      |                     |                     |
| Share capital                                | 6(b) | 11,574,585          | 10,402,822          |
| Warrant reserve                              | 6(d) | 3,406,072           | 2,317,657           |
| Share-based payment reserve                  | 6(c) | 1,594,238           | 1,612,559           |
| Deficit                                      |      | (15,645,159)        | (12,106,522)        |
| Total equity                                 |      | 929,736             | 2,226,516           |
| <b>Total liabilities and equity</b>          |      | <b>\$ 1,751,449</b> | <b>\$ 3,112,767</b> |

**Commitments (Note 7)**  
**Going concern (Note 3)**  
**Subsequent events (Note 9)**

Approved on behalf of the board

Signed Jason Flowerday  
 Director

Signed Ian Fodie  
 Director

See accompanying notes to the condensed consolidated interim financial statements.



**Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss**  
 (expressed in Canadian dollars)  
 (unaudited)

|   | Note | Three months<br>ended<br>March 31, 2018 | Three months<br>ended<br>March 31, 2017 | Nine months<br>ended<br>March 31, 2018 | Nine months<br>ended<br>March 31, 2017 |
|---|------|---|---|--|--|
| <b>Expenses</b>   |      |   |   |  |  |
| General and administrative  |      | \$ 510,177                              | \$ 1,928,733                            | \$ 2,140,431                           | \$ 4,633,746                           |
| Research and development  |      | 396,259                                 | 234,636                                 | 1,387,660                              | 641,059                                |
|   |      | <b>906,436</b>                          | 2,163,369                               | <b>3,528,091</b>                       | 5,274,805                              |
| Other (income) expense:   |      |   |   |  |  |
| Impairment loss on property and equipment   |      | 23,352                                  | -                                       | 23,352                                 | -                                      |
| Gain on settlement of deferred rent obligation  |      | (11,717)                                | -                                       | (11,717)                               | -                                      |
| Listing costs   |      | -                                       | -                                       | -                                      | 1,859,107                              |
| Finance (income) expense, net   |      | 2,687                                   | 8,453                                   | (1,089)                                | 14,594                                 |
|   |      | <b>14,322</b>                           | 8,453                                   | <b>10,546</b>                          | 1,873,701                              |
| <b>Net loss and comprehensive loss</b>  |      | <b>\$ (920,758)</b>                     | <b>\$ (2,171,822)</b>                   | <b>\$ (3,538,637)</b>                  | <b>\$ (7,148,506)</b>                  |
| Basic and diluted loss per share  |      | <b>\$ (0.01)</b>                        | <b>\$ (0.04)</b>                        | <b>\$ (0.06)</b>                       | <b>\$ (0.16)</b>                       |
| Weighted average number of common shares used in computing basic and diluted loss per share |      | <b>63,672,433</b>                       | <b>52,847,817</b>                       | <b>58,229,180</b>                      | <b>43,530,971</b>                      |

See accompanying notes to the condensed consolidated interim financial statements.



### Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

(expressed in Canadian dollars)

(unaudited)

|   | Note | Number of shares          | Share capital        | Warrant reserve     | Share-based payment reserve | Deficit                | Total               |
|---|------|---------------------------|----------------------|---------------------|-----------------------------|------------------------|---------------------|
| <b>Balance, June 30, 2017</b>                     |      | <b>53,408,780</b>         | <b>\$ 10,402,822</b> | <b>\$ 2,317,657</b> | <b>\$ 1,612,559</b>         | <b>\$ (12,106,522)</b> | <b>\$ 2,226,516</b> |
| Net loss for the nine months ended March 31, 2018 |      | -                         | -                    | -                   | -                           | (3,538,637)            | (3,538,637)         |
| Issuance of common shares (net of costs)          | 6(b) | 10,113,365                | 882,016              | 1,088,415           | -                           | -                      | 1,970,431           |
| Stock options exercised                           | 6(c) | 1,009,400                 | 289,747              | -                   | (164,783)                   | -                      | 124,964             |
| Stock-based compensation                          | 6(c) | -                         | -                    | -                   | 146,462                     | -                      | 146,462             |
| <b>Balance, March 31, 2018</b>                    |      | <b>64,531,545</b>         | <b>\$ 11,574,585</b> | <b>\$ 3,406,072</b> | <b>\$ 1,594,238</b>         | <b>\$ (15,645,159)</b> | <b>\$ 929,736</b>   |
| Balance, June 30, 2016                            |      | 25,323,161 <sup>(*)</sup> | \$ 1,463,659         | \$ -                | \$ 524,612                  | \$ (2,193,121)         | \$ (204,850)        |
| Net loss for the nine months ended March 31, 2017 |      | -                         | -                    | -                   | -                           | (7,148,506)            | (7,148,506)         |
| Issuance of common shares (net of costs)          | 6(b) | 22,072,038                | 6,743,758            | 2,426,081           | -                           | -                      | 9,169,839           |
| Shares issued to shareholders of Plicit           |      | 5,050,000                 | 1,767,500            | -                   | -                           | -                      | 1,767,500           |
| Stock options exercised                           | 6(c) | 282,632                   | 81,276               | -                   | (46,286)                    | -                      | 34,990              |
| Warrants exercised                                | 6(d) | 481,648                   | 245,267              | (76,690)            | -                           | -                      | 168,577             |
| Stock-based compensation                          | 6(c) | -                         | -                    | -                   | 886,753                     | -                      | 886,753             |
| <b>Balance, March 31, 2017</b>                    |      | <b>53,209,479</b>         | <b>\$ 10,301,460</b> | <b>\$ 2,349,391</b> | <b>\$ 1,365,079</b>         | <b>\$ (9,341,627)</b>  | <b>\$ 4,674,303</b> |

(\*) – Shares at June 30, 2016 restated at conversion ratio of 4.0376 as part of Company's Qualifying Transaction completed September 8, 2016

See accompanying notes to the condensed consolidated interim financial statements.



**Condensed Consolidated Interim Statements of Cash Flows**  
**(expressed in Canadian dollars)**  
**(unaudited)**

| <b>For the nine months ended March 31:</b>                | <b>Note</b> | <b>2018</b>        | <b>2017</b>         |
|---|-------------|--------------------|---------------------|
| Cash (used in) provided by:                               |             |                    |                     |
| Operating activities:                                     |             |                    |                     |
| Loss and comprehensive loss for the period                |             | \$ (3,538,637)     | \$ (7,148,506)      |
| Impairment loss on property and equipment                 |             | 23,352             | -                   |
| Gain on settlement of deferred rent obligation            |             | (11,716)           | -                   |
| Non-cash listing costs                                    |             | -                  | 1,310,946           |
| Share based payments                                      |             | -                  | 175,000             |
| Amortization of intangible assets                         |             | -                  | 36,830              |
| Depreciation of property and equipment                    |             | 92,218             | 32,678              |
| Stock-based compensation                                  | 6(c)        | 146,462            | 886,753             |
| Deferred rent obligations                                 |             | (9,636)            | -                   |
| Accretion of notes payable                                |             | -                  | 5,777               |
| Changes in working capital accounts                       |             |                    |                     |
| Amounts receivable  |             | 197,495            | (196,361)           |
| Prepaid expenses  |             | 488,288            | (1,525,210)         |
| Accounts payable and accrued liabilities                  |             | (105,826)          | (85,073)            |
| <b>Cash used in operating activities</b>                  |             | <b>(2,718,000)</b> | <b>(6,507,166)</b>  |
| Financing activities:                                     |             |                    |                     |
| Proceeds from issuance of common shares                   | 6(b)        | 2,122,673          | 9,950,213           |
| Exercise of stock options                                 | 6(c)        | 124,964            | 34,990              |
| Exercise of warrants                                      | 6(c)        | -                  | 168,577             |
| Share issuance costs                                      | 6(b)        | (152,242)          | (955,374)           |
| Advances of notes payable                                 |             | -                  | 33,800              |
| Repayment of notes payable                                |             | -                  | (101,107)           |
| <b>Cash flows from financing activities</b>               |             | <b>2,095,395</b>   | <b>9,131,099</b>    |
| Investing activities:                                     |             |                    |                     |
| Purchases of equipment                                    |             | (23,167)           | (39,529)            |
| Purchases of intangible assets                            |             | -                  | (210,199)           |
| Government assistance received                            |             | 63,788             | -                   |
| Cash assumed in acquisition of Plicit                     |             | -                  | 139,954             |
| <b>Cash flows from (used in) investing activities</b>     |             | <b>40,621</b>      | <b>(109,774)</b>    |
| (Decrease) increase in cash                               |             | (581,984)          | 2,514,159           |
| Cash, beginning of period                                 |             | 1,200,395          | 38,663              |
| <b>Cash, end of period</b>                                |             | <b>\$ 618,411</b>  | <b>\$ 2,552,822</b> |
| <b>Supplementary information:</b>                         |             |                    |                     |
| Non-cash investing activities                             |             |                    |                     |
| Government assistance received for property and equipment |             | \$ 1,148           | \$ -                |
| Non-cash financing activities                             |             |                    |                     |
| Shares issued to Plicit shareholders                      | 6(c)        | \$ -               | \$ 1,767,500        |
| Shares issued as a finder's fee                           | 6(b)        | -                  | 175,000             |
| Broker/Finder's warrants as share issuance costs          | 6(b)        | (33,680)           | (383,322)           |

See accompanying notes to the condensed consolidated interim financial statements.



**Notes to the Condensed Consolidated Interim Financial Statements**  
(expressed in Canadian dollars)  
(unaudited)

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**1. Reporting entity**

3D Signatures Inc. (the "Company"), formerly Plicit Capital Corp., was incorporated in Canada on May 25, 2011 and its shares are listed on the TSX Venture Exchange as a Tier 2 issuer under the symbol "DXD"; the OTCQB Venture Market in the United States under the symbol "TDSGF"; and the Frankfurt Stock Exchange in Germany under the symbol "3D0". The Company's registered office is located at 199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario, M5L 1A9, and its corporate head office is located at MaRS Centre, South Tower, 101 College Street, Suite 200, Toronto, Ontario M5G 1L7.

The Company through its wholly owned subsidiary 3D Signatures Holdings Inc., is developing diagnostic and prognostic products that will save lives, improve the quality of life, and reduce the cost of care associated with numerous diseases that display genomic instability.

**2. Basis of preparation**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2017. The Company's June 30, 2017 audited consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim consolidated results and therefore should be read in conjunction with these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements of the Company were approved and authorized for issue by the Company's Board of Directors on May 30, 2018.

***Basis of consolidation***

These condensed consolidated interim financial statements comprise the condensed consolidated interim financial statements of the Company and its subsidiaries as at March 31, 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date in which the Company obtains control, and continue to be consolidated until the date that such control ceases. The condensed consolidated interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances, income and expenses, equity and dividends resulting from intra-group transactions have been eliminated upon consolidation.

The Company's subsidiaries are as follows:

3D Signatures Holdings Inc. (100% owned).

***Basis of measurement***

The condensed consolidated interim financial statements have been prepared on the historical basis except for certain financial instruments carried at fair value.

Certain of the comparative figures have been reclassified to conform with the presentation in the current year.

***Functional and presentation currency***

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

***Significant accounting judgments, estimates and assumptions***

The preparation of condensed consolidated interim financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. There were no changes to the Company's critical accounting estimates and judgments from those described in the most recent June 30, 2017 audited consolidated financial statements.

**Notes to the Condensed Consolidated Interim Financial Statements**  
(expressed in Canadian dollars)  
(unaudited)

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**3. Going concern**

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on the funding of new investors to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables.

As a result of the uncertainty surrounding the availability of sufficient capital to complete the commercialization and realization of the intangible assets, the Company recorded a provision against the value of the intangible assets at June 30, 2017. Should the underlying circumstances change, the Company may release this provision in the future.

These condensed consolidated interim financial statements do not reflect any other adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. The disclosed factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

**4. Summary of significant accounting policies**

***Standards issued but not yet effective***

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at March 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

***IFRS 2, Share-based payment***

In June 2016, the IASB issued amendments to IFRS 2, *Share-based payment*, clarifying how to account for certain types of share-based payment transactions. The amendments will apply to annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the amendments to IFRS 2 on its condensed consolidated interim financial statements.

***IFRS 9, Financial instruments***

The final version of IFRS 9 was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 *Financial instruments: recognition and measurement*. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its condensed consolidated interim financial statements.

***IFRS 15, Revenue from contracts with customers***

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers*, and SIC 31 *Revenue – barter transactions involving advertising services*.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its condensed consolidated interim financial statements.

***IFRS 16, Leases***

On January 13, 2016, the IASB issued new IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this standard on its condensed consolidated interim financial statements.



**Notes to the Condensed Consolidated Interim Financial Statements**  
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**5. Prepaid expenses**

Prepaid expenses include fees paid to a shareholder of the Company for advisory services to be rendered over a period of three years, entered into September 8, 2016 and concludes September 8, 2019. During the three and nine months ended March 31, 2018, the Company recorded expenses of \$92,465 and \$281,507, respectively (2017 - \$92,466 and \$209,589) in general and administrative expenses relating to this agreement. As at March 31, 2018, the remaining balance of prepaid services to be rendered is \$540,411 (June 30, 2017 - \$821,918) of which \$375,000 represents the current portion (June 30, 2017 - \$375,000).

**6. Share capital**

**(a) Authorized**

The Company has authorized share capital of an unlimited number of common voting shares without par value, an unlimited number of non-voting common shares without par value, and an unlimited amount of Class A, B, C, and D shares

**(b) Shares issued and outstanding**

Shares issued and outstanding are as follows:

|  | March 31, 2018       | June 30, 2017        |
|--|----------------------|----------------------|
| <i>Issued</i>  |                      |                      |
| Common shares issued – 64,531,545 (June 30, 2017 – 53,408,780) | \$ 11,574,585        | \$ 10,402,822        |
|  | <b>\$ 11,574,585</b> | <b>\$ 10,402,822</b> |
|  | <b>Number</b>        | <b>Amount</b>        |
| Balance at June 30, 2016                                       | 6,271,836            | \$ 1,463,659         |
| Elimination of 3DS Shares                                      | (6,271,836)          | -                    |
| Conversion to new Plicit Shares at 4.0376                      | 25,323,161           | -                    |
| Shares issued to Plicit shareholders                           | 5,050,000            | 1,767,500            |
| Shares issued in brokered private placement (i)                | 15,572,038           | 5,450,213            |
| Share issuance costs (i)                                       | -                    | (473,518)            |
| Shares issued as finder's fee                                  | 500,000              | 175,000              |
| Broker warrants issued (ii)                                    | -                    | (198,406)            |
| Shares issued through exercise of stock options                | 282,632              | 81,276               |
| Shares issued through exercise of warrants                     | 680,949              | 346,629              |
| Shares issued in brokered private placement (iii)              | 6,000,000            | 4,500,000            |
| Share issuance costs (iii)                                     | -                    | (481,856)            |
| Issuance of warrants (iii)                                     | -                    | (2,042,759)          |
| Broker warrants issued (iii)                                   | -                    | (184,916)            |
| Balance at June 30, 2017                                       | 53,408,780           | \$ 10,402,822        |
| <b>Shares issued in non-brokered private placement (iv)</b>    | <b>2,000,000</b>     | <b>500,000</b>       |
| <b>Share issuance costs (iv)</b>                               | <b>-</b>             | <b>(8,215)</b>       |
| <b>Shares issued in non-brokered private placement (v)</b>     | <b>8,113,365</b>     | <b>1,622,673</b>     |
| <b>Share issuance costs (v)</b>                                | <b>-</b>             | <b>(144,027)</b>     |
| <b>Issuance of warrants (v)</b>                                | <b>-</b>             | <b>(1,054,555)</b>   |
| <b>Issuance of finder's warrants (v)</b>                       | <b>-</b>             | <b>(33,860)</b>      |
| <b>Shares issued through exercise of stock options</b>         | <b>1,009,400</b>     | <b>289,747</b>       |
| <b>Balance at March 31, 2018</b>                               | <b>64,531,545</b>    | <b>\$ 11,574,585</b> |



**Notes to the Condensed Consolidated Interim Financial Statements**  
**(expressed in Canadian dollars)**  
**(unaudited)**

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**6. Share capital (continued)**

**(b) Shares issued and outstanding (continued)**

(i) Concurrent with the Transaction, the Company issued 15,572,038 common shares at a price of \$0.35 per share for gross proceeds of \$5,450,213. Cash costs directly attributable to the issuance were \$473,518.

(ii) In conjunction with brokered private placement (Note 7(i)), the Company issued 1,245,763 broker warrants to acquire common shares of the Company at an exercise price of \$0.35 per share until September 8, 2018. The fair value of the warrants was estimated using the Black Scholes model with the following significant assumptions:

|                        |         |
|------------------------|---------|
| Expected life          | 2 years |
| Expected volatility    | 85%     |
| Risk free rate         | 0.50%   |
| Dividend yield         | Nil     |
| Underlying share price | \$0.35  |
| Strike price           | \$0.35  |

(iii) On November 17, 2016, the Company announced an appointment of a syndicate of agents (the “Agents”) to sell, by way of private placement on a best efforts basis, units (the “Units”) of the Company at a price of \$0.75 (the “Issue Price”). The offering consisted of up to 4,000,000 Units, with gross proceeds of up to \$3,000,000 (the “Offering”) to the Company. Each issued Unit comprised one common share in the capital of the Company (a “Share”) and one Share purchase warrant (a “Warrant”). Each warrant entitles the hold to purchase one Share for a period of two years from the closing date of the Offering at an exercise price of \$0.92 per share. The warrants are subject to an acceleration clause such that in the event the trading price of the Shares of the Company is at or above \$1.35 per Share for 20 consecutive trading days at any time that is six months after the closing date of the Offering, the Company will have the right to accelerate the expiry date of the Warrants to the date which is 30 days after notice is provided to the Warrant holders. Additionally, the Agents were granted the option (the “Agents’ Option”) to sell up to an additional 2,000,000 Units at \$0.75 per Unit pursuant to the Offering, exercisable in whole or in part an any time up to 48 hours prior to the closing of the Offering.

Units sold in the offering were conducted in three tranches, and included the exercise of the Agents’ Option, as permitted by the over-allotment option. On December 16, 2016, the Company announced the issuance of 5,187,618 Units for gross proceeds to the Company of \$3,890,714. On December 22, 2016, the Company announced the issuance of 215,300 Units for gross proceeds to the Company of \$161,475. On January 6, 2017, the Company announced the issuance of 597,082 Units for gross proceeds to the Company of \$447,812.

The fair value of warrants issued in the Offering was estimated using the following Black-Scholes Model assumptions:

|                        |                 |
|------------------------|-----------------|
| Expected life          | 2 years         |
| Expected volatility    | 85%             |
| Risk free rate         | 0.50% - 0.76%   |
| Dividend yield         | Nil             |
| Underlying share price | \$0.75 - \$0.97 |
| Strike price           | \$0.92          |

**Notes to the Condensed Consolidated Interim Financial Statements**  
**(expressed in Canadian dollars)**  
**(unaudited)**

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**6. Share capital (continued)**

**(b) Shares issued and outstanding (continued)**

(iii) (continued)

Cash costs directly attributable to the Offering were \$481,856. The agents also received 480,000 warrants (“Broker Warrants”) an amount equal to 8% of the Units issued in the Offering. The fair value of the Broker Warrants issued in the Offering was estimated using the following Black-Scholes Model assumptions:

|                        |                 |
|------------------------|-----------------|
| Expected life          | 2 years         |
| Expected volatility    | 85%             |
| Risk free rate         | 0.50% - 0.76%   |
| Dividend yield         | Nil             |
| Underlying share price | \$0.75 - \$0.97 |
| Strike price           | \$0.75          |

(iv) On October 4, 2017, the Company announced the closing of a non-brokered private placement (the “ScreenCell Private Placement”) issuing 2,000,000 common shares (the “Shares”) at a price of \$0.25 per Share for gross proceeds of \$500,000 with ScreenCell SA (“ScreenCell”). The Company incurred cash costs of \$8,215 directly attributable to the ScreenCell Private Placement.

(v) On December 5, 2017, the Company announced the closing of a non-brokered private placement (the “December 2017 Private Placement”) by way of the sale of 8,113,365 units (a “Unit”) at a price of \$0.20 per unit for gross proceeds of \$1,222,673. Each unit consists of one common share of the Company and one common share purchase warrant (a “Purchase Warrant”) at an exercise price of \$0.35 per common share until December 5, 2022.

The fair value of the Purchase Warrants issued in the December 2017 Private Placement was estimated using the following Black-Scholes Model assumptions:

|                        |         |
|------------------------|---------|
| Expected life          | 5 years |
| Expected volatility    | 85%     |
| Risk free rate         | 1.70%   |
| Dividend yield         | Nil     |
| Underlying share price | \$0.22  |
| Strike price           | \$0.35  |

Cash costs directly attributable to the Offering were \$144,027, including \$91,704 paid to certain finders (the “Finders”), equal to 6% of the gross proceeds raised by the Finders. In addition, the Finders received 458,520 non-transferrable warrants (a “Finder’s Warrant”) equal to 6% of the number of Units issued by the Company to investors introduced to the Company by the Finders. Each Finder’s Warrant is exercisable to purchase one common share of the Company until December 5, 2019 at an exercise price of \$0.35. The fair value of the Finder’s Warrants were estimated using the following Black-Scholes Model assumptions:

|                        |         |
|------------------------|---------|
| Expected life          | 2 years |
| Expected volatility    | 85%     |
| Risk free rate         | 1.54%   |
| Dividend yield         | Nil     |
| Underlying share price | \$0.22  |
| Strike price           | \$0.35  |

**Notes to the Condensed Consolidated Interim Financial Statements**  
**(expressed in Canadian dollars)**  
**(unaudited)**

**6. Share capital (continued)**

**(c) Stock option plan**

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant to directors, officers, employees and contractors options to purchase voting common shares of the Company. The terms and conditions of each option granted under the Plan are determined by the Board of Directors.

The fair value of the options issued during the nine months ended March 31, 2017 was estimated using the Black-Scholes model with the following significant assumptions:

| <b>Nine months ended March 31</b> | <b>2017</b>     |
|-----------------------------------|-----------------|
| Expected life                     | 10 years        |
| Expected volatility               | 85%             |
| Risk free rate                    | 1.10% - 1.70%   |
| Dividend yield                    | Nil             |
| Underlying share price            | \$0.52 - \$0.79 |
| Strike price                      | \$0.52 - \$0.79 |

Expected volatility was estimated by reference to comparable listed entities, due to the limited trading history of the Company. Stock based compensation for the three and nine months ended March 31, 2018 of \$40,219 and \$146,462, respectively (2017 - \$54,832 and \$886,753) was recorded in general and administrative expenses.

Changes in the number of options outstanding during the nine months ended March 31, 2018 and 2017 are as follows:

| <b>Nine months ended March 31</b>  | <b>2018</b>              |  | <b>2017</b>              |  |
|------------------------------------|--------------------------|--|--------------------------|--|
|                                    | <b>Number of options</b> | <b>Weighted average exercise price</b> | <b>Number of options</b> | <b>Weighted average exercise price</b> |
| Balance, beginning of period       | <b>5,054,496</b>         | <b>\$ 0.37</b>                         | 3,317,558                | \$ 0.14                                |
| Granted                            | -                        | -                                      | 2,086,155                | 0.68                                   |
| Exercised                          | <b>(1,009,400)</b>       | <b>(0.12)</b>                          | (282,632)                | (0.12)                                 |
| Forfeited, cancelled or expired    | <b>(258,544)</b>         | <b>(0.65)</b>                          | -                        | -                                      |
| Balance, end of period             | <b>3,786,552</b>         | <b>\$ 0.41</b>                         | 5,121,081                | \$ 0.36                                |
| Options exercisable, end of period | <b>3,417,958</b>         | <b>\$ 0.38</b>                         | 4,562,956                | \$ 0.31                                |

**Notes to the Condensed Consolidated Interim Financial Statements**  
 (expressed in Canadian dollars)  
 (unaudited)

**6. Share capital (continued)**

*(c) Stock option plan (continued)*

The following is a summary of the 3,786,552 outstanding options issued under the Plan as at March 31, 2018:

| <b>Exercise price</b> | <b>Number outstanding</b> | <b>Weighted average remaining contractual life (years)</b> | <b>Number exercisable</b> | <b>Weighted average remaining vesting period (years)</b> |
|-----------------------|---------------------------|--|---------------------------|--|
| \$0.12                | 1,675,604                 | 7.1  | 1,675,604                 | -  |
| \$0.25                | 215,337                   | 7.5  | 215,337                   | -  |
| \$0.50                | 10,000                    | 9.2  | -                         | 0.7  |
| \$0.52                | 200,000                   | 8.6  | 200,000                   | -  |
| \$0.68                | 1,077,486                 | 8.5  | 1,077,486                 | -  |
| \$0.74                | 45,000                    | 9.0  | -                         | 0.7  |
| \$0.75                | 220,000                   | 8.8  | 111,250                   | 0.8  |
| \$0.76                | 90,000                    | 8.7  | 75,000                    | 0.7  |
| \$0.79                | 253,125                   | 9.8  | 63,281                    | 0.5  |
|                       | <b>3,786,552</b>          |  | <b>3,417,958</b>          |  |

*(d) Warrants*

Changes in the number of warrants outstanding during the nine months ended March 31, 2018 and 2017 are as follows:

| <b>Nine months ended March 31</b> | <b>2018</b>               |  | <b>2017</b>               |  |
|-----------------------------------|---------------------------|--|---------------------------|--|
|                                   | <b>Number of warrants</b> | <b>Weighted average exercise price</b> | <b>Number of warrants</b> | <b>Weighted average exercise price</b> |
| Balance, beginning of period      | <b>7,044,814</b>          | <b>\$ 0.86</b>                         | -                         | \$ -                                   |
| Granted                           | <b>8,571,885</b>          | <b>0.35</b>                            | 7,725,762                 | 0.82                                   |
| Exercised                         | -                         | -                                      | (481,648)                 | (0.35)                                 |
| Balance, end of period            | <b>15,616,698</b>         | <b>\$ 0.58</b>                         | 7,244,114                 | \$ 0.81                                |

**Notes to the Condensed Consolidated Interim Financial Statements**  
**(expressed in Canadian dollars)**  
**(unaudited)**

**6. Share capital (continued)**

**(e) Loss per share**

The following table reflects the loss and share data used in the basic and diluted loss per share computations for the three and nine months ended March 31, 2018 and 2017:

|  | Three months<br>ended<br>March 31,<br>2018 | Three months<br>ended<br>March 31,<br>2017 | Nine months<br>ended<br>March 31,<br>2018 | Nine months<br>ended<br>March 31,<br>2017 |
|--|--|--|---|---|
| Net loss                                 | \$ (920,758)                               | \$ (2,171,822)                             | \$ (3,538,637)                            | \$ (7,148,506)                            |
| Weighted average number of common shares | 63,672,433                                 | 52,847,817                                 | 58,229,180                                | 43,530,971                                |

Effects of dilution from 4,392,192 stock options and 15,616,698 warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three and nine months ended March 31, 2018 as they are anti-dilutive. Effects of dilution from 5,121,081 stock options and 7,244,114 warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three and nine months ended March 31, 2017 as they are anti-dilutive.

**7. Commitments**

As at March 31, 2018, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed as follows:

| <b>Contractual obligations payment due by fiscal period ending June 30:</b> |             |
|---|-------------|
| 2018 remaining  | \$ -        |
| 2019  | -           |
|   | <b>\$ -</b> |

**8. Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Chief Executive Officer, Chief Financial Officer, Chief Business Officer and Chief Scientific Officer are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan. The following table details the compensation paid to key management personnel:

|  | Three months<br>ended<br>March 31, 2018 | Three months<br>ended<br>March 31, 2017 | Nine months<br>ended<br>March 31, 2018 | Nine months<br>ended<br>March 31, 2017 |
|--|---|---|--|--|
| Salaries, fees and short-term benefits | \$ 209,571                              | \$ 223,466                              | \$ 697,716                             | \$ 577,477                             |
| Stock-based compensation               | 35,882                                  | 52,139                                  | 131,887                                | 833,270                                |
|  | <b>\$ 245,453</b>                       | <b>\$ 275,605</b>                       | <b>\$ 829,603</b>                      | <b>\$ 1,410,747</b>                    |

Certain directors and key management personnel control 24% of the voting shares of the Company as at March 31, 2018 (June 30, 2017 – 29%). As at March 31, 2018, the Company has \$40,330 (June 30, 2017 - \$63,146) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel.

**Notes to the Condensed Consolidated Interim Financial Statements**  
**(expressed in Canadian dollars)**  
**(unaudited)**

**8. Key management personnel compensation (continued)**

Included within stock-based compensation expense during the three and nine months ended March 31, 2018 is stock-based compensation expense of \$5,009 for the three months ended March 31, 2018 and recovery of stock-based compensation of \$10,981 for the nine months ended March 31, 2018 representing the service expense of 925,000 stock options to be issued to a member of key management personnel at a future date, with pricing to be determined and in accordance with the Company's share price on the Toronto Venture Stock Exchange on the date of the grant. The fair value of the options to be issued to the member of key management was estimated using the Black-Scholes Model with the following significant assumptions:

|                        |   |
|------------------------|---|
| Expected life          | - |
| Expected volatility    | - |
| Risk free rate         | - |
| Dividend yield         | - |
| Underlying share price | - |
| Strike price           | - |

The service expense was calculated according to the following vesting schedule:

|                                    | <b>Number of stock<br/>options to be<br/>issued</b> |
|------------------------------------|---|
| Immediately                        | 308,000   |
| September 2017                     | 154,250   |
| March 2018                         | 154,250   |
| September 2018                     | 154,250   |
| March 2019                         | 154,250   |
| <b>Total options to be granted</b> | <b>925,000</b>                                      |

**9. Subsequent events**

On May 31, 2018, the Company announced its intention to assign itself into bankruptcy under the Bankruptcy and Insolvency Act (the "BIA"), the engagement of a Licensed Insolvency Trustee in connection with the bankruptcy proceedings and the layoff of the Company's employees and contractors.