

**CVR Medical Corp.**  
**Consolidated Financial Statements**  
**Years Ended December 31, 2018 and 2017**  
**(Expressed in U.S. Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CVR Medical Corp.

### Opinion

We have audited the consolidated financial statements of CVR Medical Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 2 to the financial statements, which describes conditions and matters that indicate the existence of material uncertainty 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 the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

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

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC  
August 21, 2019

**CVR Medical Corp.**  
**Consolidated Statements of Financial Position**  
(Expressed in U.S. Dollars)

	<b>December 31, 2018</b>	December 31, 2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	74,742	463,530
Loan receivable from CVR Global, Inc. (Note 7)	130,659	–
Prepaid expenses	67,501	58,044
Taxes and other receivables	31,375	31,438
<b>Total Current Assets</b>	<b>304,277</b>	553,012
Equipment	711	1,019
Intangible assets (Note 8)	1,077,555	1,169,238
<b>Total Assets</b>	<b>1,382,543</b>	1,723,269
 <b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	370,939	13,064
Accrued liabilities	18,411	15,908
Due to CVR Global, Inc. (Note 10)	437,461	–
Due to related parties (Note 10)	319,148	79,434
Promissory note payable (Note 11)	25,000	–
<b>Total Liabilities</b>	<b>1,170,959</b>	108,406
 <b>Shareholders' Equity</b>		
Share capital (Note 12)	22,906,812	17,403,883
Equity reserves (Note 13)	2,400,674	1,752,890
Accumulated other comprehensive income	344,259	456,323
Deficit	(25,440,161)	(17,998,233)
<b>Total Shareholders' Equity</b>	<b>211,584</b>	1,614,863
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,382,543</b>	1,723,269
 <b>Going Concern (Note 2)</b>		
<b>Events After the Reporting Period (Note 16)</b>		

Approved on behalf of the Board:

\_\_\_\_\_  
“Peter Bakema” Director

\_\_\_\_\_  
“Dallas Hack” Director

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

**CVR Medical Corp.**  
**Consolidated Statements of Comprehensive Loss**  
(Expressed in U.S. dollars)

	Year Ended December 31,	
	2018	2017
	\$	\$
<b>Expenses</b>		
Consulting fees (Note 10)	1,112,923	1,042,680
Depreciation	239	210
Bank charges	3,755	390
Foreign exchange loss	29,690	24,351
Office and general	1,097,596	1,160,492
Professional fees	718,426	102,096
Rent	4,319	13,137
Research and development costs (Notes 10)	1,989,044	1,127,188
Share-based compensation (Note 9 and 13)	1,239,539	201,328
Travel and entertainment	163,001	240,808
Transfer agent and filing fees	127,038	63,607
<b>Loss before other income (expense)</b>	<b>(6,485,570)</b>	<b>(3,976,287)</b>
<b>Other income (expense)</b>		
Gain on settlement of debt	26,344	–
Interest income	–	7,462
Interest expense (Notes 10 and 11)	(159,470)	(6,879)
Write-off of accounts receivable	(21,949)	–
Write-off of advance to CVR Global, Inc. (Note 6)	(801,283)	(2,576,534)
<b>Net loss</b>	<b>(7,441,928)</b>	<b>(6,552,238)</b>
<b>Other comprehensive income (loss):</b>		
Foreign currency translation	(112,064)	195,194
<b>Comprehensive loss</b>	<b>(7,553,992)</b>	<b>(6,357,044)</b>
<b>Loss per share – basic and diluted</b>	<b>(0.10)</b>	<b>(0.11)</b>
<b>Weighted average number of shares outstanding</b>	<b>73,534,553</b>	<b>58,055,930</b>

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

**CVR Medical Corp.**  
**Consolidated Statement of Changes in Equity**  
(Expressed in U.S. dollars)

	Common Shares		Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
		\$	\$	\$	\$	\$
Balance, December 31, 2016	41,549,544	10,472,057	1,712,160	261,129	(11,445,995)	999,351
Units issued pursuant to private placements	16,174,626	5,124,072	–	–	–	5,124,072
Share issuance costs	–	(452,343)	170,293	–	–	(282,050)
Exercise of stock options	2,150,000	685,151	(330,555)	–	–	354,596
Exercise of warrants	4,820,013	1,513,715	(336)	–	–	1,513,379
Shares issued for services	243,850	61,231	–	–	–	61,231
Share-based compensation	–	–	201,328	–	–	201,328
Foreign currency translation	–	–	–	195,194	–	195,194
Net and comprehensive loss	–	–	–	–	(6,552,238)	(6,552,238)
Balance, December 31, 2017	64,938,033	17,403,883	1,752,890	456,323	(17,998,233)	1,614,863
Units issued pursuant to private placements	16,859,014	4,242,357	–	–	–	4,242,357
Share issuance costs	–	(272,728)	58,387	–	–	(214,341)
Exercise of warrants	2,780,505	871,812	–	–	–	871,812
Share-based compensation pursuant to restructuring agreement	–	–	1,239,539	–	–	1,239,539
Shares issued pursuant to restructuring agreement	3,000,000	650,142	(650,142)	–	–	–
Shares issued to settle debt	50,000	11,346	–	–	–	11,346
Foreign currency translation	–	–	–	(112,064)	–	(112,064)
Net and comprehensive loss	–	–	–	–	(7,441,928)	(7,441,928)
<b>Balance, December 31, 2018</b>	<b>87,627,552</b>	<b>22,906,812</b>	<b>2,400,674</b>	<b>344,259</b>	<b>(25,440,161)</b>	<b>211,584</b>

At December 31, 2018, the Company held 27,000,000 common shares in escrow pursuant to the Restructuring Agreement with CVR Global, which will be released upon the achievement of certain milestones (Note 9). The shares held in escrow are not included in the number of common shares outstanding above.

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

**CVR Medical Corp.**  
**Consolidated Statements of Cash Flows**  
(Expressed in U.S. dollars)

	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss	<b>(7,441,928)</b>	(6,552,238)
Items not involving cash:		
Depreciation	239	210
Gain on settlement of debt	<b>(26,344)</b>	–
Share-based compensation	<b>1,239,539</b>	201,328
Shares issued for services	–	61,231
Write-off of accounts receivable	<b>21,949</b>	–
Write-off of advance to CVR Global, Inc.	<b>801,283</b>	2,576,534
Net changes in non-cash working capital items:		
Taxes and other receivables	<b>(21,886)</b>	(21,185)
Prepaid expenses	<b>(9,457)</b>	(45,254)
Accounts payable	<b>395,566</b>	(45,627)
Accrued liabilities	<b>2,503</b>	(7,460)
Due to CVR Global, Inc.	<b>437,461</b>	–
Due to related parties	<b>239,714</b>	(53,675)
<b>Net cash used in operating activities</b>	<b>(4,361,361)</b>	(3,886,136)
<b>Cash flows from financing activities</b>		
Proceeds from promissory notes payable	<b>796,952</b>	–
Repayment of promissory notes payable	<b>(771,952)</b>	–
Shares issued for exercise of stock options	–	354,596
Shares issued for exercise of warrants	<b>871,812</b>	1,513,379
Shares issued for cash, net of issuance costs	<b>4,028,016</b>	4,842,022
<b>Net cash provided by financing activities</b>	<b>4,924,828</b>	6,709,997
<b>Cash flows from investing activities</b>		
Advance to CVR Global, Inc	<b>(801,283)</b>	(2,576,534)
Loan receivable from CVR Global, Inc.	<b>(130,659)</b>	–
Purchase of equipment	–	(1,229)
<b>Net cash used in investing activities</b>	<b>(931,942)</b>	(2,577,763)
<b>Effect of foreign exchange on cash</b>	<b>(20,313)</b>	119,781
<b>(Decrease) Increase in cash</b>	<b>(388,788)</b>	365,879
<b>Cash, beginning of year</b>	<b>463,530</b>	97,651
<b>Cash, ending of year</b>	<b>74,742</b>	463,530
<b>Supplemental disclosures:</b>		
Interest paid	<b>115,793</b>	–
Income tax paid	–	–
<b>Non-cash investing and financing activities:</b>		
Fair value of brokers warrants for share issuance costs	<b>58,387</b>	170,293
Fair value of shares issued pursuant to restructuring agreement with CVR Global, Inc.	<b>650,142</b>	–
Fair value of shares issued to settle debt	<b>11,346</b>	–

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

## 1. Corporate Information

CVR Medical Corp. (the “Company”) was incorporated on December 10, 1980 under the British Columbia Business Corporations Act. The Company is a healthcare company that operates in the medical device industry focused on the commercialization of its disruptive, proprietary Carotid Stenotic Scan (“CSS”) device (the “Device”). The Device is a diagnostic tool that encompasses subsonic, infrasonic, and low frequency sound wave analysis technology. The Device is a patented device designed to detect and measure carotid arterial stenosis. The Company was previously engaged in an equal parts joint operation with CVR Global, Inc. (“CVR Global”) to commercialize the Device, which was terminated pursuant to a restructuring agreement (Note 9). The Company’s common shares trade on the TSX Venture Exchange (“Exchange”). The Company’s registered office is 409 – 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3. The Company’s head office is 4664 Sierra View Drive, Denver, North Carolina, United States.

## 2. Basis of Presentation

### a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on August 21, 2019.

### b) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CVRM, Inc., a company incorporated on February 9, 2018, in the State of Delaware. All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Effective for the year ended December 31, 2018, the Company changed its presentation currency from Canadian dollars to United States dollars, as significant portions of the Company’s expenses and cash flows are denominated in U.S. dollars. The change in presentation currency is to better reflect the Company’s business activities. In making this change in presentation currency, the Company followed the recommendations set out in IAS 21, *The Effect of Change in Foreign Exchange Rates*. In accordance with IAS 21, the financial statements for all years and periods presented have been translated into the new presentation currency using the current rate method. Under this method, the statements of comprehensive loss and cash flow items for each year and period have been translated into the presentation currency using the average exchange rate prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the date of the consolidated statements of financial position. Shareholders’ equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions. All resulting exchange differences arising from the translation are included as a component of accumulated other comprehensive income. All comparative financial information has been restated to reflect the Company’s results as if they had been historically reported in U.S. dollars. The consolidated financial statements are presented in U.S. dollars, unless otherwise noted.

### c) Going concern of operations

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations. The Company incurred a net loss of \$7,441,928 during the year ended December 31, 2018, and, as of that date the Company’s deficit was \$25,440,161. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations and attaining future profitable operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amount and classification of liabilities that would be necessary should the Company be unable to continue as a going concern.



**2. Basis of Presentation** (continued)

d) Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

ii) Intangible Assets

Management has exercised their judgement in determining if the patents and license are impaired. The judgement is based on the expected future benefit of the intangible assets.

iii) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with parties other than employees by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9 and 13.

iv) Determination of Functional Currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management has determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary, CVRM, Inc., is the U.S. dollar.

### 3. Significant Accounting Policies

#### a) Foreign currencies

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary, CVRM, Inc., is the U.S. dollar, as these are the currencies of the primary economic environment in which each company operates.

Transactions in foreign currencies are initially recorded in the functional currency of each company at the exchange rate at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the date of the statement of financial position. Non-monetary assets are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

#### b) Loss per share

Basic loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Potentially dilutive securities were excluded from the calculation of dilutive loss per share as they are anti-dilutive.

#### c) Financial instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* on January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

##### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. 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 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 Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	FVTPL	FVTPL
Loan receivable	N/A	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Due to CVR Global Inc.	N/A	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Promissory note payable	N/A	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

##### (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.

**3. Significant Accounting Policies** (continued)

c) Financial instruments (continued)

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

*Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

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 the twelve month expected credit losses. The Company shall recognize in the statements of 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.

(iv) Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

d) Impairment of non-financial assets

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets, including intangible assets. If indicators exist, the Company determines if the recoverable amount of the asset or cash generating unit ("CGU") is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

**3. Significant Accounting Policies** (continued)

d) Impairment of non-financial assets (continued)

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in profit or loss. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in profit or loss. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

e) Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

f) Share capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants.

g) Share-based payments

Compensation expense attributable to share based awards to employees, and others providing similar services, is measured at the fair value at the date of grant and is recognized over the period that the employee, or others providing similar services, becomes unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

The fair value of stock options granted is determined using the Black-Scholes Option Pricing Model, which takes into account a number of variables, including the exercise price of the award, the expected dividend rate, the expected life of the options, forfeiture rate and the risk free interest rate.

All equity-settled share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserves is credit to share capital, adjusted for any consideration paid.

h) Intangible assets

Intangible assets consist of the patents acquired from CVR Global. The patents and license were initially recognized at fair value. Intangible asset under development and not ready for use are not amortized. The expenditures incurred to develop the intangible asset are capitalized if they meet the following recognition criteria: i) the technical feasibility of completing the intangible asset so that it will be available-for-use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible; iv) how the intangible asset will generate probably future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditures attributable to the intangible asset during its development; otherwise they are expensed as incurred. During the years ended December 31, 2017, and 2018, the Company expensed the expenditures incurred to develop the intangible asset as the capitalization criteria were not met.

**3. Significant Accounting Policies** (continued)

i) Income taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2019, or later periods.

The following new IFRSs that have not been early adopted in these consolidated financial statements will not have a material effect on the Company's future results and financial position:

- i) IFRS 16, *Leases* (New; to replace IAS 17, IFRIC 4, SIC-15 and SIC-27).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**4. Financial Risk Factors**

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

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company has a cash balance of \$74,742 (2017 - \$463,530) and current liabilities of \$1,170,959 (2017 - \$108,406). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company's due to CVR Global and promissory note payable are due on demand. The ability of the Company to continue to commercialize diagnostic devices and maintain its working capital is dependent on its ability to secure additional equity or debt financing. The liquidity risk is assessed as high.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and loan receivable from CVR Global, Inc. Cash consists of bank accounts held with Canadian and United States chartered banks from which management believes the risk of loss is remote. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and an interest-bearing promissory note payable with a fixed interest rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is not exposed to any significant interest rate risk.

**4. Financial Risk Factors** (continued)

**Foreign Exchange Risk**

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to foreign activities. The Company's research and development activities are performed in the United States and, as a result, a significant portion of the Company's expenditures are made in U.S. dollars. However, certain of the Company's equity financings and expenditures are denominated in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

	December 31, 2018	December 31, 2017
Fair value through profit and loss:	\$	\$
Cash	74,742	463,530

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2018	December 31, 2017
Non-derivative financial liabilities	\$	\$
Accounts payable	370,939	13,064
Due to CVR Global, Inc.	437,461	-
Due to related parties	319,148	79,434
Promissory notes payable	25,000	-
	1,152,548	92,498

**5. Capital Management**

The Company considers its cash, common shares, stock options, and warrants 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 pursue the commercialization of diagnostic devices and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level. 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.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of one year or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the year ended December 31, 2018.

**6. Advance to CVR Global, Inc.**

During the period from January 1, 2018, to October 31, 2018, the Company advanced a total of \$3,408,154 (year ended December 31, 2017 – \$4,441,084) to CVR Global, to be used for the commercialization of the Device, pursuant to the joint operation described in Note 8. Of the total advanced, CVR Global was obligated to repay the Company a total of \$801,283 (2017 – \$2,576,534) related to CVR Global's portion of the research and development expenditures which were paid by the Company on behalf of CVR Global. Pursuant to a Restructuring Agreement dated October 31, 2018, any and all amounts due between the Company and CVR Global were forgiven upon completing the restructuring, with the exception of a loan receivable (Note 7). As a result, the outstanding advances receivable were forgiven upon completing the restructuring.

**7. Loan Receivable from CVR Global, Inc.**

On August 1, 2017, CVR Global entered into a Commercial Sub-lease Agreement (the "Agreement") with LJ Trader, Inc., a company owned by the CEO of the Company, which leased the property from the owner. The property being leased (the "Property") is the head office of the Company and is also the personal residence of the CEO. The property also is used by CVR Global corporate meetings. The CEO individually holds an option to purchase the property that expires on November 29, 2019.

As the Company and CVR Global did not have a formal office in the immediate area, it was determined that the Property was ideal for local independent contractors, who perform daily management, administrative and research and development activities and services on behalf of CVR Global, given the Property was easily accessible for these independent contractors. The Property required leasehold improvements to make it suitable for larger meetings and for independent contractors and Board Members who meet and also stay overnight at the Property.

At December 31, 2018, the Company has provided a total of \$130,659 to CVR Global to fund leasehold improvements incurred by CVR Global on the Property (the "Recoverable Costs"). Pursuant to a sub-lease agreement between CVR Global and LJ Trader Inc., and an agreement between CVR Global and the Company, these costs shall be reimbursed to CVR Global in the event the CEO of the Company exercises his option to purchase the Property and the Property is subsequently sold. Furthermore, pursuant to a subsequent agreement between the Company and CVR Global dated July 30, 2019, the CVR Global shall pay to the Company an amount equal to \$130,659 (the "Loan") within 2 business days of receipt by sale proceeds the CEO of the Company (the "Payment Date"). Management of CVR Global will be responsible for collecting the funds from the CEO of the Company. CVR Global acknowledges and agrees that if CVR Global has not repaid the Loan within 2 business days of the Payment Date, the Company has the right to deduct an amount equal to the Loan from any invoices then due or due in the future from the Company to CVR Global up to an amount equal to the Loan.

During the year ended December 31, 2018, the Company also provided a total of \$100,762 (2017 - \$28,810) to CVR Global, comprised of rent \$44,000 (2017 - \$10,000) and maintenance of \$56,762 (2017- \$18,810), related to the leased property, which have been recognized as operating expenses.

The Restructuring Agreement, effective November 1, 2018, has a clause which indicates that any and all amounts due between the Company and CVR Global will be forgiven upon completing the restructuring. However, as set forth in the above referenced agreement, management of both the Company and CVR Global have separately agreed that the costs relating to the \$130,659 in property improvement costs will be considered separately and that these costs are not subject to the debt forgiveness clause.

**8. Intangible Assets**

Intangible assets are comprised of the following:

	<b>Patents</b>
	<b>\$</b>
<b>Cost</b>	
Balance at December 31, 2016	-
Additions	1,118,817
Foreign currency adjustment	50,421
Balance at December 31, 2017	1,169,238
Foreign currency adjustment	(91,683)
Balance at December 31, 2018	1,077,555
<b>Depreciation and impairment losses</b>	
Balance at December 31, 2016, 2017 and 2018	-
<b>Carrying amounts</b>	
Balance at December 31, 2017	1,169,238
Balance at December 31, 2018	1,077,555

**8. Intangible Assets** (continued)

Effective September 16, 2016, the Company acquired patents (the "Patents") underlying a diagnostic device developed by CVR Global Inc. ("CVR Global") for the detection and measurement of the Device in consideration for 7,000,000 common shares of the Company with a fair value of CDN\$1,470,000 (the "Transaction"). The Patents and the Device are not in use and no amortization was recognized during the year ended December 31, 2018, and 2017.

Upon closing of the Transaction, CVR Global and the Company formed a joint operation pursuant to which the Company contributed the Patents and working capital, and CVR Global contributed certain additional patents and intellectual property, as well as management know-how and marketing expertise, for an initial equal equity interest by both parties in the joint operation. The joint operation was terminated effective October 31, 2018, pursuant to a Restructuring Agreement (Note 9).

**9. Restructuring Agreement**

On October 31, 2018, the Company and CVR Global closed a Restructuring Agreement, whereby the Company acquired CVR Global's 50% interest in the joint operation (Note 8) and the joint operation was terminated in favor of commercialization of the CSS Device in the Company's wholly-owned subsidiary, CVRM, Inc. The Company and CVR Global licensed all necessary patents and technology for the commercialization of the CSS Device and CVR Global terminated and relinquished its share of profits from the joint operation. Additionally, CVRM, Inc. entered into a CSS Commercialization Agreement, whereby CVRM, Inc. retained CVR Global as the exclusive developer and manufacturer of the CSS Device with funding to be provided by CVRM Inc. The initial term of the CSS Commercialization Agreement is 20 years, which renews for successive 5-year terms unless terminated by the Company or CVR Global. As consideration under the Restructuring Agreement, the Company issued 3,000,000 common shares upon closing of the agreement and placed 27,000,000 common shares in escrow, which will be released to CVR Global upon achievement of the following milestones:

- 2,000,000 common shares upon submission of the CSS Device to the FDA (issued subsequently – Note 15);
- 10,000,000 common shares upon FDA clearance and approval of the CSS Device; and
- 15,000,000 common shares upon achievement of US\$50,000,000 in revenue from the sales of the CSS Device..

In addition, the Company granted a 7% royalty on all CSS Device sales and a 3% royalty on all associated disposable sales.

In accordance with IFRS 2, Share-based Payment, the common share consideration was deemed to be granted to non-employees. As a result, the Company is required to measure the fair value of the equity instruments by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

Since the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the common shares issued to CVR Global, which is based on the Company's stock price.

Under IFRS 2, the achievement milestones are non-market vesting conditions, The Company received its final approval from the TSX Venture on October 31, 2018, at which time the transaction closed. The vesting date for the first milestone was determined to be the date of closing of the Restructuring Agreement (October 31, 2018), at which point the closing stock price of the Company's common shares was CDN\$0.285 per share. The remaining unvested shares will be re-measured based on the stock price of the Company's common shares at each period-end until they vest, at which point their fair value becomes "locked-in". The fair value of the unvested stock options is also adjusted to reflect management's best available estimate of the number of shares that are expected to vest.

During the year ended December 31, 2018, the Company recognized share-based compensation of \$1,239,539 related to the vesting of the common share consideration.



**10. Related Party Transactions**

- a) During the year ended December 31, 2018, the Company incurred \$593,333 (2017 - \$185,084) in research and development costs related to key management compensation paid to the Chief Executive Officer (“CEO”) of the Company, Chief Operating Officer (“COO”) of the Company, a director of the Company and companies controlled by the CEO of the Company, the COO of the Company and a director of the Company. Prior to the termination of the joint operation on October 31, 2018, the key management compensation consists of 50% of the fees payable to each of the parties above, with the remaining 50% being incurred by CVR Global Inc. and included in the write-off of advance from CVR Global, Inc. Effective November 1, 2018, the key management compensation consists of 100% of the fees to each of the parties above.
- b) During the year ended December 31, 2018, the Company incurred \$20,454 (CDN\$26,000) (2017 - \$65,685 (CDN\$85,150)) in consulting fees to the former CFO of the Company. As at December 31, 2018, the Company owed \$9,236 (CDN\$12,600) (2017 - \$5,711 (CDN\$7,180)) to the former CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.
- c) During the year ended December 31, 2018, the Company incurred \$182,417 (2017 - \$nil) in consulting fees to the CFO of the Company. As at December 31, 2018, the Company owed \$119,479 (2017 - \$nil) to the CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.
- d) During the year ended December 31, 2018, the Company incurred \$nil (2017 - \$22,371 (CDN\$29,000)) in consulting fees to a company controlled by a former director of the Company. As at December 31, 2018, the Company owed \$nil (2017 - \$12,726 (CDN\$16,000)) to the former director of the Company. The amount is unsecured, non-interest bearing and due on demand.
- e) During the year ended December 31, 2018, the Company incurred \$nil (2017 - \$21,214 (CDN\$27,500)) in consulting fees and \$nil (2017 - \$70,881 (CDN\$91,886)) in share-based compensation to a company controlled by a former director of the Company. As at December 31, 2018, the Company owed \$5,498 (CDN\$7,500) (2017 - \$5,966 (CDN\$7,500)) to the former director of the Company. The amount is unsecured, non-interest bearing and due on demand.
- f) During the year ended December 31, 2018, the Company incurred a total of \$32,763 (CDN\$42,000) (2017 - \$7,714 (CDN\$10,000)) in consulting fees and \$93,333 (2017 - \$nil) in director fees to four directors of the Company. As at December 31, 2018, the Company owed a total of \$101,402 (2017 - \$nil) to the four directors of the Company. The amounts are unsecured, non-interest bearing and due on demand.
- g) During the year ended December 31, 2018, the Company incurred consulting fees of \$158,005 (2017 - \$nil) to the Executive Vice President (“Executive VP”) of the Company. At December 31, 2018, the Company owed \$52,533 (2017 - \$nil) to the Executive VP of the Company. The amount is unsecured, non-interest bearing and due on demand.
- h) During the year ended December 31, 2018, the Company incurred interest expense of \$30,000 (2017 - \$nil) to the spouse of a director of the Company pursuant to a promissory note payable (Note 11(b)).
- i) As at December 31, 2018, the Company owed a shareholder of the Company \$nil (2017 - \$18,464) and \$nil (2017 - \$5,568 (CDN\$7,000)) for advances.
- j) As at December 31, 2018, the Company owed a shareholder of the Company \$31,000 (2017 - \$31,000) for advances.
- k) As at December 31, 2018, the Company owed CVR Global a total of \$437,461 (2017 - \$nil) for research and development expenses pursuant to the Commercialization Agreement (Note 9).

## 11. Promissory Notes Payable

- a) On July 25, 2018, the Company issued a Promissory Note, whereby it received a loan of \$25,000 from a third party, who was appointed as a director of the Company subsequent to the issuance of the Promissory Note. The loan bears interest at 30% per annum, is secured by shares of the Company which are currently owned by CVR Global, and has a term of 6 months. The loan may be repaid at any time without penalty, except that the full interest shall be due and payable for the entire 6-month term. As at December 31, 2018, the Company has accrued interest on the promissory note of \$3,750.
- b) On August 6, 2018, the Company issued a Promissory Note, whereby it received a loan of \$200,000 from the spouse of a director of the Company. The loan bears interest at 30% per annum, is secured by shares of the Company which are currently owned by CVR Global, and has a term of 6 months. The loan may be repaid at any time without penalty, except that the full interest shall be due and payable for the entire 6-month term. During the year ended December 31, 2018, the Company repaid the principal balance of \$200,000 and interest of \$30,000.
- c) On September 4, 2018, the Company issued a Promissory Note, whereby it received a loan of \$115,678 (CDN\$150,000) from a third party. The loan bears interest at 30% per annum, is secured by shares of the Company which are currently owned by CVR Global, and has a term of 6 months. The loan may be repaid at any time without penalty, except that the full interest shall be due and payable for the entire 6-month term. During the year ended December 31, 2018, the Company repaid the principal balance of \$115,678 (CDN\$150,000) and interest of \$17,352 (CDN\$22,500).
- d) On October 22, 2018, the Company issued two Promissory Notes, whereby it received loans totaling \$456,274 from third parties. The loans bear interest at 30% per annum, are secured by shares of the Company which are currently owned by CVR Global, and have a term of 6 months. During the year ended December 31, 2018, the Company repaid the principal balance totaling \$456,274 and interest totaling \$68,441.

## 12. Share Capital

Authorized share capital consists of unlimited number of common shares without par value.

*Issued during the year ended December 31, 2017:*

On February 23, 2017, the Company closed a non-brokered private placement of 7,142,858 units at CDN\$0.35 per unit for gross proceeds of \$1,907,250 (CDN\$2,500,000). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until August 22, 2018. No value was attributed to the warrants. In connection with the private placement, the Company paid commissions of \$71,890 (CDN\$94,233), issued 268,670 brokers warrants with a fair value of \$64,267 (CDN\$84,240), and incurred other costs related to the private placement of \$15,410 (CDN\$20,199), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 0.75%, dividend yield – 0%, expected volatility – 146%, and expected life – 1.5 years.

On April 19, 2017, the Company closed the first tranche of a private placement of 7,521,768 units at CDN\$0.48 per unit for gross proceeds of \$2,680,397 (CDN\$3,610,449). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until October 19, 2018. No value was attributed to the warrants. The Company paid commissions of \$134,106 (CDN\$180,638), issued 376,328 brokers warrants with a fair value of \$87,337 (CDN\$117,642), and incurred other costs related to the private placement of \$34,002 (CDN\$45,800), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 0.71%, dividend yield – 0%, expected volatility – 162%, and expected life – 1.5 years.

On April 21, 2017, the Company closed a private placement of 1,510,000 units at CDN\$0.48 per unit for gross proceeds of \$536,425 (CDN\$724,800). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until October 21, 2018. No value was attributed to the warrants. The Company paid commissions of \$26,642 (CDN\$36,000) and issued 75,000 brokers warrants with a fair value of \$18,689 (CDN\$25,250), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 0.70%, dividend yield – 0%, expected volatility – 162%, and expected life – 1.5 years.

On May 29, 2017, the Company issued 243,850 shares of common stock with a fair value of \$61,231 (CDN\$97,540) for consulting services.

**12. Share Capital** (continued)

During the year ended December 31, 2017, the Company issued 2,150,000 shares of common stock pursuant to the exercise of 2,150,000 stock options with an exercise price of CDN\$0.21 per share for total proceeds of \$354,596 (CDN\$451,500).

During the year ended December 31, 2017, the Company issued 4,820,013 shares of common stock pursuant to the exercise of 4,820,013 warrants at CDN\$0.40 per share for total proceeds of \$1,513,379 (CDN\$1,928,005).

*Issued during the year ended December 31, 2018:*

On February 26, 2018, the Company closed the first tranche of a private placement of 840,000 units at CDN\$0.40 per unit for gross proceeds of \$264,802 (CDN\$336,000). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until February 26, 2019. No value was attributed to the warrants. In connection with the private placement, the Company paid commissions of \$7,755 (CDN\$9,840), issued 24,600 brokers warrants with a fair value of \$1,620 (CDN\$2,056), and incurred other costs related to the private placement of \$3,982 (CDN\$5,053), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 1.74%, dividend yield – 0%, expected volatility – 80%, and expected life – 1 year.

On February 28, 2018, the Company issued 261,905 shares of common stock pursuant to the exercise of 261,905 warrants at CDN\$0.40 per share for total proceeds of \$81,777 (CDN\$104,762).

On March 6, 2018, the Company closed the second tranche of a private placement of 816,572 units at CDN\$0.40 per unit for gross proceeds of \$253,170 (CDN\$326,629). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until March 6, 2019. No value was attributed to the warrants.

On March 16, 2018, the Company closed the third tranche of a private placement of 215,000 units at CDN\$0.40 per unit for gross proceeds of \$65,704 (CDN\$86,000). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until March 16, 2019. No value was attributed to the warrants.

On March 21, 2018, the Company closed the fourth tranche of a private placement of 1,281,646 units at CDN\$0.40 per unit for gross proceeds of \$395,465 (CDN\$512,658). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until March 21, 2019. No value was attributed to the warrants. In connection with the private placement, the Company paid commissions of \$22,216 (CDN\$28,800), issued 72,000 brokers warrants with a fair value of \$2,992 (CDN\$3,879), and incurred other costs related to the private placement of \$11,022 (CDN\$14,288), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 1.85%, dividend yield – 0%, expected volatility – 73%, and expected life – 1 year.

On April 6, 2018, the Company issued 2,518,600 shares of common stock pursuant to the exercise of warrants with an amended price of CDN\$0.40 per share for gross proceeds of \$790,035 (CDN\$1,007,440). The exercise price of the warrants was temporarily amended from CDN\$0.70 per share to CDN\$0.40 per share. In connection with the warrant amendment, the Company paid a commission of \$12,399 (CDN\$15,811) and issued an additional 2,518,600 warrants to the holders that exercised their warrants, which are exercisable at CDN\$1.50 per share until April 9, 2020.

On May 2, 2018, the Company closed a private placement of 1,250,000 units at CDN\$0.40 per unit for gross proceeds of \$389,000 (CDN\$500,000). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until May 2, 2019. No value was attributed to the warrants. In connection with the private placement, the Company paid commissions of \$23,340 (CDN\$30,000) and issued 75,000 brokers warrants with a fair value of \$1,978 (CDN\$2,543), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 1.90%, dividend yield – 0%, expected volatility – 68%, and expected life – 1 year.

On June 18, 2018, the Company closed a private placement of 1,710,395 units at CDN\$0.40 per unit for gross proceeds of \$516,950 (CDN\$684,158). Each unit consists of one share of common stock of the Company and one-half of one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.70 until June 18, 2019. No value was attributed to the warrants. In connection with the private placement, the Company issued 102,805 brokers warrants with a fair value of \$2,702 (CDN\$3,576), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 1.86%, dividend yield – 0%, expected volatility – 69%, and expected life – 1 year.

**12. Share Capital** (continued)

On September 5, 2018, the Company closed the first tranche of a private placement of 1,870,000 units at CDN\$0.30 per unit for gross proceeds of \$425,070 (CDN\$561,000). Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 until September 5, 2023. No value was attributed to the warrants. In connection with the private placement, the Company paid commissions of \$25,504 (CDN\$33,660) and issued 72,000 brokers warrants with a fair value of \$13,290 (CDN\$17,540), which have been recorded as share issue costs. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 2.16%, dividend yield – 0%, expected volatility – 152%, and expected life – 5 years.

On September 21, 2018, the Company closed the second tranche of a private placement of 1,935,427 units at CDN\$0.30 per unit for gross proceeds of \$449,464 (CDN\$580,628). Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 until September 22, 2023. No value was attributed to the warrants. In connection with the private placement, the Company incurred legal costs of \$8,498 (CDN\$10,978).

On October 26, 2018, the Company closed a private placement of 1,311,333 units at CDN\$0.30 per unit for gross proceeds of \$300,754 (CDN\$393,400). Each unit consists of one shares of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until October 26, 2023.

Effective October 31, 2018, the Company issued 3,000,000 common shares with a fair value of \$650,142 (CDN\$855,000) to CVR Global pursuant to the Restructuring Agreement (Note 9).

On November 8, 2018, the Company closed a private placement of 2,708,641 units at CDN\$0.30 per unit for gross proceeds of \$614,645 (CDN\$812,593). Each unit consists of one shares of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until November 8, 2023.

On November 8, 2018, the Company issued 50,000 common shares with a fair value of \$11,346 (CDN\$15,000) to settle debt of \$13,274 (CDN\$17,500), resulting in a gain on settlement of debt of \$1,928 (CDN\$2,500).

On November 30, 2018, the Company closed a private placement of 670,000 units at CDN\$0.30 per unit for gross proceeds of \$151,253 (CDN\$201,000). Each unit consists of one shares of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until November 30, 2023, provided that if on any 10 consecutive trading days at any time after March 31, 2019, the daily closing price of the Company's shares on the Exchange is at or greater than CDN\$0.50 per share, the Company may provide notice to the holder of the early expiry (the "Notice") and thereafter, the warrants will expire on the date that is 30 days after the date of the Notice. The Company paid a cash commission of \$9,075 (CDN\$12,060), incurred legal costs of \$13,896 (CDN\$18,466) and issued a total of 40,200 compensation warrants with a fair value of \$7,682 (CDN\$10,209). The compensation warrants have substantially the same terms as the warrants issued in the private placement but are not transferable. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 2.20%, dividend yield – 0%, expected volatility – 153%, and expected life – 5 years.

On December 20, 2018, the Company closed a private placement of 2,250,000 units at CDN\$0.25 per unit for gross proceeds of \$416,080 (CDN\$562,500). Each unit consists of one shares of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until November 30, 2023, provided that if on any 10 consecutive trading days at any time after April 20, 2019, the daily closing price of the Company's shares on the Exchange is at or greater than CDN\$0.50 per share, the Company may provide notice to the holder of the early expiry (the "Notice") and thereafter, the warrants will expire on the date that is 30 days after the date of the Notice. The Company paid a cash commission of \$58,635 (CDN\$79,269), incurred legal costs of \$18,020 (CDN\$24,358) and issued a total of 180,000 compensation warrants with a fair value of \$28,122 (CDN\$38,018). The compensation warrants have substantially the same terms as the warrants issued in the private placement but are not transferable. The fair value of the brokers warrants was determined using the Black-scholes option model with the following assumptions: Risk-free rate – 1.92%, dividend yield – 0%, expected volatility – 153%, and expected life – 5 years.

At December 31, 2018, the Company held 27,000,000 common shares in escrow pursuant to the Restructuring Agreement with CVR Global, which will be released upon the achievement of certain milestones (Note 9).

### 13. Stock Options and Warrants

#### Stock options

The Company's Board of Directors approved a stock incentive plan in accordance with the policies of the Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 10 years.

On September 21, 2016, the Company granted 350,000 stock options to an investor relation consultant, which vested 25% quarterly and are exercisable at CDN\$0.21 per share for a period of 5 years. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 4.34 years, average risk-free interest rate – 1.18%, expected dividend yield – 0%, and average expected stock price volatility – 175%. During the year ended December 31, 2017, \$101,360 (CDN\$131,398) was recognized in stock-based compensation and recorded in option reserve for vested options.

On January 12, 2017, the Company granted 100,000 stock options to a consultant, which vested immediately and are exercisable at CDN\$0.33 per share for a period of 1 year. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate – 0.73%, expected dividend yield – 0%, and average expected stock price volatility – 195%. During the year ended December 31, 2017, \$29,087 (CDN\$37,707) was recognized in stock-based compensation and recorded in option reserve.

On February 9, 2017, the Company granted 200,000 stock options to a director of the Company, which vested immediately and are exercisable at CDN\$0.43 per share for a period of 5 years. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 5 years, average risk-free interest rate – 1.06%, expected dividend yield – 0%, and average expected stock price volatility – 178%. During the year ended December 31, 2017, \$70,881 (CDN\$91,886) was recognized in stock-based compensation and recorded in option reserve.

The following table summarizes information about the options at December 31, 2018 and 2017, and the changes for the years then ended:

	December 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price CDN\$	Number of options	Weighted average exercise price CDN\$
Options outstanding – Beginning of year	4,150,000	0.22	6,000,000	0.21
Granted	–	–	300,000	0.40
Exercised	–	–	(2,150,000)	0.21
Expired	(300,000)	0.40	–	–
Options outstanding – End of year	3,850,000	0.21	4,150,000	0.22
Options exercisable – End of year	3,850,000	0.21	4,150,000	0.22

The following table summarizes information about stock options outstanding and exercisable at December 31, 2018:

Exercise price CDN\$	Options outstanding	Options exercisable	Weighted average remaining contracted life (years)
0.21	3,850,000	3,850,000	2.73

**13. Stock Options and Warrants** (continued)

**Share purchase warrants**

The following table summarizes information about the warrants at December 31, 2018 and 2017, and the changes for the years then ended:

	December 31, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price CDN\$	Number of warrants	Weighted average exercise price CDN\$
Warrants outstanding – Beginning of year	15,452,165	0.57	11,464,867	0.40
Issued	16,887,413	0.60	8,807,311	0.70
Exercised	(2,780,505)	0.67	(4,820,013)	0.40
Expired	(12,671,660)	0.55	–	–
Warrants outstanding – End of year	16,887,413	0.60	15,452,165	0.57

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at December 31, 2018:

Exercise Price CDN\$	Expiry date	Warrants Outstanding	Weighted average remaining contracted life (years)
0.70	February 26, 2019*	444,600	0.16
0.70	March 6, 2019*	408,286	0.18
0.70	March 16, 2019*	107,500	0.21
0.70	March 21, 2019*	712,823	0.22
0.70	May 2, 2019*	700,000	0.33
0.70	June 18, 2019*	958,003	0.46
1.50	April 9, 2020	2,518,600	1.27
0.36	September 5, 2023	1,942,000	4.68
0.36	September 22, 2023	1,935,427	4.73
0.36	October 26, 2023	1,311,333	4.82
0.36	November 9, 2023	2,708,641	4.86
0.36	November 30, 2023	710,200	4.92
0.36	December 20, 2023	2,430,000	4.97

\*Warrants expired unexercised subsequent to year end.

**Equity reserves**

The equity reserves records items recognized as share-based compensation expense, fair value of warrants issued for services and equity-based contingent consideration until such time that the options and warrants are exercised, or the contingent consideration is paid, at which time the corresponding amount will be transferred to share capital.

**14. Segmented Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's main operations are within the medical sector relating to research and development of the Device.

**CVR Medical Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2018 and 2017**  
(Expressed in U.S. dollars)

**15. Income Taxes**

The income tax recovery shown on the statements of comprehensive loss differs from the amounts obtained by applying statutory tax rates to the net loss before taxes as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	<b>(7,441,928)</b>	(6,552,238)
Expected income tax rate	<b>27%</b>	26%
Expected tax recovery	<b>(2,009,321)</b>	(1,703,582)
Permanent differences and other	<b>228,842</b>	505,989
Share issuance	<b>(42,422)</b>	(75,586)
Change in tax rates	<b>133,611</b>	-
Foreign exchange adjustment	<b>271,180</b>	(139,237)
Change in valuation allowance	<b>1,418,110</b>	1,412,416
Deferred income tax recovery	<b>-</b>	-

Deferred income tax assets are calculated as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax assets relate to:		
Loss carry forwards	<b>3,448,501</b>	1,980,555
Unused mineral resource related deductions	<b>840,600</b>	878,340
Equipment	<b>31</b>	56
Deductible financing cost	<b>86,448</b>	74,508
Intangible asset	<b>(100,011)</b>	(76,000)
Potential future tax benefit	<b>4,275,569</b>	2,857,459
Valuation allowance	<b>(4,275,569)</b>	(2,857,459)
Deferred income tax assets recognized	<b>-</b>	-

As at December 31, 2018, the Company has non-capital loss carry forwards of CDN\$13,273,000 (2017 - CDN\$9,953,000) in Canada and \$3,915,000 (2017 - \$nil) in the United States that are available to reduce income otherwise taxable in future years. The United States losses may be carried forward indefinitely. The non-capital loss in Canada if not used will expire as follows:

	CDN\$
December 31, 2026	340,000
December 31, 2027	336,000
December 31, 2028	233,000
December 31, 2029	202,000
December 31, 2030	203,000
December 31, 2031	184,000
December 31, 2032	202,000
December 31, 2033	136,000
December 31, 2034	146,000
December 31, 2035	171,000
December 31, 2036	1,131,000
December 31, 2037	6,669,000
December 31, 2038	3,320,000
	<b>13,273,000</b>

## 16. Events After the Reporting Period

On January 16, 2019, the Company released 2,000,000 common shares from escrow to CVR Global upon submission of the CSS device to the FDA.

On January 17, 2019, the Company closed a private placement of 4,820,000 units at CDN\$0.25 per unit for gross proceeds of CDN\$1,205,000. Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until January 17, 2024. The Company incurred issuance costs of CDN\$128,483 and issued a total of 359,800 compensation warrants. The compensation warrants are exercisable into units ("Broker Units") at \$0.25 per unit until January 17, 2024. Each Broker Unit consists of one share of common stock and one common stock purchase warrant ("Agent's Warrant"). Each Agent's Warrant is exercisable at \$0.36 per share until January 17, 2024.

On February 12, 2019, the Company closed a private placement of 540,000 units at CDN\$0.25 per unit for gross proceeds of CDN\$135,000. Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until February 12, 2024.

On February 21, 2019, the Company closed a private placement of 2,123,188 units at CDN\$0.25 per unit for gross proceeds of CDN\$530,797. Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until February 21, 2024. The Company incurred issuance costs of CDN\$49,679 and issued a total of 125,264 compensation warrants. The compensation warrants are exercisable into units ("Broker Units") at \$0.25 per unit until February 21, 2024. Each Broker Unit consists of one share of common stock and one common stock purchase warrant ("Agent's Warrant"). Each Agent's Warrant is exercisable at \$0.36 per share until February 21, 2024.

On February 21, 2019, the Company granted an aggregate of 4,350,000 stock options to an employees, directors and officers of the Company, of which a total of 1,700,000 stock options vest immediately and the remaining 2,650,000 stock options vest on the first anniversary of the grant date. The stock options are exercisable at CDN\$0.25 per share for a period of 5 years.

On April 2, 2019, the Company closed a private placement of 3,017,132 units at CDN\$0.25 per unit for gross proceeds of CDN\$754,283. Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until April 2, 2024.

On May 6, 2019, the Company closed a private placement of 1,250,000 units at CDN\$0.25 per unit for gross proceeds of CDN\$312,500. Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant. Each full warrant is exercisable at a price of CDN\$0.36 per share until May 6, 2024. The Company incurred issuance costs of CDN\$18,750 and issued a total of 75,000 compensation warrants. The compensation warrants are exercisable into units ("Broker Units") at \$0.25 per unit until May 6, 2024. Each Broker Unit consists of one share of common stock and one common stock purchase warrant ("Agent's Warrant"). Each Agent's Warrant is exercisable at \$0.36 per share until May 6, 2024.

On May 6, 2019, the Company received notification that The British Columbia Securities Commission has issued a cease trade order in regards to trading of the Company's securities, due to the Company not filing its audited financial statements and related management discussion and analysis for the 2018 fiscal and calendar year in a timely manner. Trading in the Company's securities will remain halted until the completion of the filing.