

THERMA BRIGHT INC.

Financial Statements

Year ended July 31, 2018

THERMA BRIGHT INC.
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Year ended July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Therma Bright Inc.

We have audited the accompanying financial statements of Therma Bright Inc., which comprise the statement of financial position as at July 31, 2018 and 2017, and the statements of loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

INDEPENDENT AUDITOR'S REPORT, continued

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which indicates that Therma Bright Inc. incurred a net loss of \$1,236,154 during the year ended July 31, 2018 and, as of that date, the Company had an accumulated deficit of \$16,469,868. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that cast significant doubt about the ability of the Company to continue as a going concern.

MISSISSAUGA, Ontario
November 28, 2018

HS & Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

THERMA BRIGHT INC.
Statement of Financial Position
July 31

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 224,701	\$ 65,499
Prepaid expenses	34,758	7,108
Sales taxes recoverable	32,293	78,285
	291,752	150,892
Intangible asset (Note 5)	49,490	-
	\$ 341,242	\$ 150,892
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 217,316	\$ 774,338
Loans from directors (Note 7)	8,499	47,467
	225,815	821,805
LONG-TERM DEBT (Note 8)	187,019	222,932
	412,834	1,044,737
Basis of presentation and going concern (Note 2)		
Contingencies and commitments (Note 12)		
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	10,848,368	9,644,189
Warrants reserve (Note 9)	3,340,218	3,149,775
Share based payments reserve (Note 9)	1,889,118	1,274,451
Equity portion of convertible debentures	320,572	271,454
Deficit	(16,469,868)	(15,233,714)
	(71,592)	(893,845)
	\$ 341,242	\$ 150,892

ON BEHALF OF THE BOARD

"Rob Fia" Director

"Joe Heng" Director

THERMA BRIGHT INC.

Statement of Loss

Year ended July 31

	2018	2017
REVENUE	\$ 14,096	\$ 31,163
EXPENSES		
General and administrative	543,022	423,696
Research and development	92,485	97,809
Stock-based compensation expense	614,667	475,000
	1,250,174	996,505
LOSS FROM OPERATIONS	(1,236,078)	(965,342)
OTHER EXPENSE		
Loss on foreign exchange	(76)	(247)
LOSS	\$ (1,236,154)	\$ (965,589)
BASIC AND DILUTED LOSS PER SHARE	(0.01)	(0.01)
AVERAGE WEIGHTED NUMBER OF COMMON SHARES	148,520,089	116,625,884

THERMA BRIGHT INC.
Statement of Changes in Equity
Year ended July 31

	Shares	Share capital	Warrants reserve	Share based payments reserve	Equity portion of convertible debentures	Deficit	Total
Balance, July 31, 2016	110,352,437	\$ 8,723,624	\$ 2,847,250	\$ 799,451	\$ 271,454	\$(14,268,125)	\$ (1,626,346)
Comprehensive income (loss)	-	-	-	-	-	(965,589)	(965,589)
Changes	24,691,303	920,565	302,525	475,000	-	-	1,698,090
Balance, July 31, 2017	135,043,740	9,644,189	3,149,775	1,274,451	271,454	(15,233,714)	(893,845)
Comprehensive income (loss)	-	-	-	-	-	(1,236,154)	(1,236,154)
Changes	25,711,882	1,204,179	190,443	614,667	49,118	-	2,058,407
Balance, July 31, 2018	160,755,622	\$ 10,848,368	\$ 3,340,218	\$ 1,889,118	\$ 320,572	\$(16,469,868)	\$ (71,592)

THERMA BRIGHT INC.
Statement of Cash Flows
Year ended July 31

	2018	2017
OPERATING ACTIVITIES		
Loss	\$ (1,236,154)	\$ (965,589)
Change in non-cash working capital and other items		
Prepaid expenses	(11,245)	(7,108)
Sales tax recoverable	45,992	(78,285)
Accounts payable and accrued liabilities	218,113	392,992
Sales taxes payable	-	(426)
Interest expense	8,737	4,929
Stock options expense	614,667	475,000
Cash flow used by operating activities	(359,890)	(178,487)
INVESTING ACTIVITY		
Purchase of intangible asset	(49,490)	-
FINANCING ACTIVITIES		
Loans from directors	7,912	(62,156)
Share issuance	328,170	306,025
Proceeds of long-term debt	232,500	-
Cash flow from financing activities	568,582	243,869
INCREASE IN CASH	159,202	65,382
CASH - BEGINNING OF YEAR	65,499	117
CASH - END OF YEAR	\$ 224,701	\$ 65,499
OTHER INFORMATION		
Non-cash share issuance to settle obligations	\$ 822,015	\$ 917,065

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

1. NATURE OF OPERATIONS

Therma Bright Inc. (formerly The Jenex Corporation) (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2001. The Company has a proprietary thermal therapy technology that provides topical relief to certain skin irritations resulting from insect bites, stings and prevention of cold sores. Since inception, the efforts of the Company have been devoted in developing and marketing this technology. The Company changed its name to "Therma Bright Inc." effective February 8, 2018.

These financial statements were authorized by the Board of Directors of the Company on November 28, 2018.

2. BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance

Management has prepared these financial statements in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except as otherwise disclosed within these notes to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest dollar with the exception of net income (loss) per share values.

d) Going concern

During the year ended July 31, 2018, the Company incurred a loss of \$1,236,154 [2017 - loss of \$965,589] and, as of that date, the Company had an accumulated deficit of \$16,469,868 [2017 - deficit of \$15,233,714].

To this point, all operational activities and the overhead costs have been funded from the available cash and by equity issuances. The Company has been working, through third party service providers in marketing, sales, engineering and distribution, to sell its products to well-known Canadian retailers. Several retailers have been short listed to carry the Company's products. InterceptCS™ is of particular interest to Canadian retailers. The Company has been focused on making a sale to a large retailer for its existing inventory of InterceptCS™. That sale, if completed, would reestablish revenue for the Company and would be expected to lead to recurring revenue from the sale of activators on an ongoing basis.

The revenue from the sale of the existing inventory of InterceptCS™ will be a positive impact on the income statement and balance sheet due to the low cost base for that inventory. This revenue will create a source of capital for the Company to allow the Company to run its business, expand sales and meet reporting and disclosure requirements.

The Company is re-launching its corporate website and a new sales and marketing website with

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

2. BASIS OF PRESENTATION AND GOING CONCERN, continued

ecommerce capabilities. The ecommerce website will create another channel for the Company to sell its inventory utilizing third party marketing specialist which will incorporate social media. The Company expects to generate meaningful sales from this direct to consumer approach and will use the cash flow generated to expand sales within this sales channel.

The Company will have to secure new cash resources to meet its obligations. Management is currently evaluating and pursuing funding alternatives, including new equity issuances. While management has so far been successful in raising the required equity financing, there is no assurance that these initiatives will continue to be successful. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

The Company's ability to continue as a going concern is dependent upon its ability to reach a profitable level of operations and obtain adequate financing. The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the company be unable to continue its operations. These adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise indicated.

(a) Inventory

Inventories are measured at the lower of cost (determined on a first-in, first-out basis) and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. When the reversal of previously written down inventories is recognized, this reversal is recognized in net income. The cost of purchased inventory comprise the purchase price and other costs directly attributable to the acquisition of inventory. Trade discounts and rebates are deducted in the costs of the purchase of finished goods. A write-down is recorded to cost of sales for any slow moving or obsolete inventory.

(b) Property and equipment

Property and equipment are measured at cost less accumulated amortization. Amortization methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. Amortization is charged over their useful lives and is based on the declining balance method and rates:

Molds	- 40%
Office furniture and fixtures	- 20%
Website	- 30%
Computer equipment	- 30%

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Intangible assets

Intangible assets consisting of domain name, patents and trademarks are recorded at fair values. Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment annually or more frequently if events or changes in circumstances indicate possible impairment.

(d) Impairment of long-lived assets

The company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(e) Earnings (loss) per share

Basic earnings (loss) per common share is determined by dividing net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the year. The effects of potential issues of shares pursuant to outstanding share purchase option agreements are disclosed as appropriate. If the Company has outstanding dilutive stock options and warrants in any period, the diluted earnings (loss) per share will be calculated using the treasury stock method. Anti-dilutive effects will not be disclosed.

(f) Revenue recognition

Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is reasonably assured. Revenue recognition is net of provisions for returns and warranty costs which are estimated based on historical return and warranty experience.

(g) Income taxes

The company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Changes to these balances are recognized in income in the period in which they occur. Deferred tax assets are reduced by a valuation allowance to the extent that it is no longer probable that the related tax benefit will be realized.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Stock-based compensation

The Company uses the fair value based method of accounting for all stock options granted to its directors, officers and employees, whereby a compensation expense is recognized over the vesting period of the options, with a corresponding increase to the share option reserve in equity. When stock options are exercised, capital stock is credited by the sum of the consideration paid together with the related portion previously recorded to the stock option reserve.

(i) Warrants

When the Company issues units under a private placement comprising common shares and warrants, the Company follows the residual value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model. The equity component is assigned the residual amount after deducting from the proceeds from the issuance of the instrument the fair value amount separately determined for the warrant component.

(j) Convertible debentures

Convertible debentures are accounted for as financial instruments containing both a liability element and an equity element that are required to be accounted for separately under *IAS 32, Financial Instruments: Presentation*. The residual value method is used to determine the value of each element. Under this approach, the equity component is assigned the residual amount after deducting from the proceeds from the issuance of the instrument the fair value amount separately determined for the liability component. No gain or loss arises on initial recognition of the components of the instruments separately.

(k) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are convertible debentures, stock options granted, warrants issued, accruals and valuation allowances.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(l) Financial instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable, loans from directors and long term debt are classified as other-financial-liabilities.

The fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. As at year end, the Company has not classified any financial liability as FVTPL.

Financial instruments recorded at fair value on the statement of financial position are based on a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value as follows:

- ◆ Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ◆ Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- ◆ Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(m) New accounting standards and interpretations

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach and IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17 Leases ("IAS 17"). IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on its financial statements.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

4. INVENTORY

Inventory consists solely of finished goods. Since 2009, the Company has taken a cumulative inventory write-down of \$5,220.

5. INTANGIBLE ASSET

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Domain name	\$ 49,490	\$ -	\$ 49,490	\$ -

Intangible asset represents the domain name "coldsores.com" purchased during the year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable and accrued liabilities	\$ 217,316	\$ 774,338

Management and consultancy fees incurred to directors of the Company included in general and administrative expenses for the year amounts to \$114,885 (2017 - \$152,000). The corresponding payable for current and previous years is included in accounts payable and accrued liabilities at year end amounting to \$10,919 (2017 - \$580,142).

During fiscal 2018, the Company settled \$775,135 (2017 - \$465,147) of accounts payable balances by the issuance of common shares.

7. LOANS FROM DIRECTORS

	2018	2017
Notes payable	\$ 8,499	\$ 47,467

The loans from directors are unsecured, non-interest bearing and repayable on demand. During the year \$46,880 of loans were settled by the issuance of common shares.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

8. LONG-TERM DEBT

	2018	2017
Debenture payable	\$ 187,019	\$ 222,932

a) 8% Convertible debentures

On April 27, 2018, the Company completed a first tranche closing of its convertible debenture (“Debenture”) financing for gross proceeds of \$250,000. The Company offered three-year debentures in principal amounts of \$1,000 per Debenture, with 8% interest payable thereon. A minimum of 12 months' interest on the full principal amount would be payable, regardless of whether the Debenture was converted prior to such time. Subject to prior TSX Venture Exchange (“TSXV”) approval, interest might be paid in shares at the market price of the Company's common shares at the time of conversion. A finder's fee of \$17,500 cash, and 150,000 finder's warrants was paid in relation to this issuance of convertible debenture and these financing fees was allocated pro-rata between against deferred financing charges and the equity portion of the convertible debenture and against the purchase warrants respectively.

The Debentures would be convertible into units of the Company at a conversion price of \$0.05 per unit if converted in the first year and thereafter at \$0.10 per unit. Each unit would be comprised of one common share and one-fifth (1/5) of one common share purchase warrant. Each whole warrant would be exercisable for one common share for a period of two years from the date of issue of the warrant at an exercise price of \$0.05 if exercised on or before the date that was one year from the date of issuance of the Debenture or thereafter at an exercise price of \$0.10.

The subscriber might convert the Debenture at any time until the maturity date. The Company might convert the Debenture on the earlier of, and at any time thereafter: (a) at any time after the date that was 12 months after the date of issue of the Debentures until the maturity date; and (b) the 16th day after the closing price of the Company's common shares on the TSXV exceeds \$0.075 for fifteen (15) consecutive trading days, provided such conversion date was at least six (6) months after the date of issue of the Debentures. The Company may, at its option, subject to providing not more than 60 and not less than 30 days prior notice, redeem the Debentures in whole or in part.

Proceeds received from this Debenture financing might be used to pay any initial payment that might be due under the asset purchase agreement and for general working capital.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 15.25%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprise the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above. Based on this calculation, the liability component was \$196,000 (\$178,282 net of transaction costs) and the residual equity component was \$49,118. Net accretion charges attributable to the convertible debentures for the year ended July 31, 2018 was \$8,737. This amount is added to the liability component on the statements of financial position and is included in accretion expense on the statements of loss and comprehensive loss.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

8. LONG-TERM DEBT, continued

b) \$600,000 secured interest free debentures

On December 11, 2014, the Company entered into a settlement agreement with the long term debt holders and debenture holders to settle the \$1,275,000 principal outstanding and accrued interest of \$3,339,472 owing as at July 31, 2014 by issuing (a) 25,500,000 common shares at a price of \$0.05 per share to settle the outstanding principal amount, (b) \$600,000 secured interest free debentures and (c) 10,000,000 warrants, to settle the accrued interest amount.

The interest free debentures were due on the third anniversary of closing the debt settlement and were secured against the assets of the Company.

Each warrant was exercisable for one common share of the Company at an exercise price of \$0.05 per share on or before the first anniversary of closing the debt settlement. Provided the Company was successful in obtaining the approval of Canadian Securities Exchange to an extension of the term of the warrants to three years from the original date of issuance, the principal amount of the debentures was to be reduced from \$600,000 to \$500,000. In addition, the Company had the right to require the holders of the warrants to convert the warrants into common shares of the Company if (a) the volume weighted average closing price of the Company's common shares was above \$0.10 for twenty consecutive trading days and (b) the average daily trading volume of common share during that period was at least 250,000. The warrants expired on the first anniversary date of the debt settlement.

As part of a share-to-debt settlement with secured interest-free debenture holders, on April 11, 2017, the Company issued 7,541,364 common shares at a price of \$0.05 per share for a partial settlement of \$377,068 of the interest free debentures. The outstanding balance of \$222,932 as at July 31, 2017 was settled during the year in exchange for 4,458,636 common shares of the Company.

c) \$30,000 unsecured 13% convertible debentures

On April 11, 2017, the Company issued 866,140 common shares at a price of \$0.05 per share to settle an aggregate of \$43,307 for the loan principal of unsecured 13% convertible debentures plus accrued interest and fees.

Interest expense for the year was nil (2017 - \$4,929).

Pursuant to the debt settlement, one shareholder holds 19% of the common shares of the Company and 16% of the common shares of the Company on a diluted basis.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

9. SHARE CAPITAL

	Issued	Amount
Authorized:		
Unlimited number of common and preferred shares without par value		
Issues and outstanding common shares:		
Balance - end of year (2017 - 135,043,740 common shares for \$9,644,189)	160,755,622	\$ 10,848,368

(a) Common shares

(i) On April 11, 2017, the Company issued 18,341,303 common shares at a price of \$0.05 to settle a principal of \$377,068 of the secured interest-free debentures, \$43,307 of the principal of unsecured 13% convertible debentures plus accrued interest and fee, \$31,543 of other loan payable and \$465,147 of accounts payable and accrued liabilities.

(ii) On June 22, 2017, the Company completed, a non-brokered private placement ("Financing") of 6,350,000 units ("Unit") of the Company at a price of \$0.05 per Unit for gross proceeds of \$317,500. Each Unit comprised of one common share (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one Share at a price of \$0.08 for a period of three years from the date of issuance of the Warrant. The term of the Warrants would be subject to an acceleration right at the option of the Company, in the event that the Shares trade at or above \$0.15 per Share for a full 10 consecutive trading days following the date which is four months and one day from the closing date, and the Company had provided Warrant holders with 30 days prior written notice of the accelerated Warrant exercise date.

(iii) On December 1, 2017, the Company issued an aggregate of 16,008,634 common shares at a deemed price of \$0.05 per common share to settle and extinguish an aggregate of \$800,432 in outstanding debt owed to the creditors.

(iv) On February 16, 2018, the Company completed a debt settlement transactions and issued an aggregate of 2,445,150 common shares at a deemed price of \$0.10 per common share to settle an aggregate of \$244,515 debt. The settled debt included the issuance an aggregate of 700,000 common shares to its directors and an officer of the Company.

(v) On April 27, 2018, the Company completed the first tranche of its non-brokered equity private placement and issued 6,000,000 units ("Unit") of the Company at a price of \$0.05 per Unit for total proceeds of \$300,000. Each Unit comprised of one common share and one common share purchase warrant (a "Warrant"). Each warrant would entitle the holder to purchase one common share for three years at a price of \$0.05 per share in the first year and thereafter at \$0.10 per share, subject to acceleration in the event that the common shares trade at or above \$0.13 per common share for a full 10 consecutive trading days.

THERMA BRIGHT INC.

Notes to the Financial Statements

July 31, 2018

9. SHARE CAPITAL, continued

A value of \$203,000 was estimated for the 6,000,000 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.045; expected volatility of 150% using the historical price history of the Company; risk-free interest rate of 2.01%; and an expected average life of 36 months.

In connection with the offering, a cash commission of \$7,000 and \$20,750 in legal and other fees were paid, and an aggregate of 100,000 compensation warrants ("Broker Warrant") were issued. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of \$0.05 for a period of 12 months following the closing date of the Offering. Each whole common share purchase warrant entitles the holder to purchase one common share until April 26, 2021 at a exercise price of \$0.05 per share in the first year and thereafter at \$0.10 per share. The Broker warrants and the common share purchase warrant are subject to acceleration in the event that the common shares trade at or above \$0.13 per common share for a full 10 consecutive trading days. These warrants were assigned a value of \$3,400 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.045; expected volatility of 150% using the historical price history of the Company; risk-free interest rate of 2.01%; and an expected average life of 36 months.

(vi) As part of the purchase agreement of the domain name "coldsores.com" the Company, issued 328,098 common shares to the purchaser. The shares were valued at \$16,405 (\$0.05 per share).

(vii) On July 11, 2018, the Company completed the second tranche of its non-brokered equity private placement and issued 580,000 units ("Unit") of the Company at a price of \$0.05 per Unit for total proceeds of \$29,000. Each Unit comprised of one common share and one common share purchase warrant (a "Warrant"). Each warrant would entitle the holder to purchase one common share for three years at a price of \$0.05 per share in the first year and thereafter at \$0.10 per share, subject to acceleration in the event that the common shares trade at or above \$0.13 per common share for a full 10 consecutive trading days.

A value of \$17,000 was estimated for the 580,000 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.04; expected volatility of 150% using the historical price history of the Company; risk-free interest rate of 2.0%; and an expected average life of 36 months.

One shareholder holds in excess of 10% of the issued and outstanding common shares of the Company.

(b) Stock options

Under the Company's stock option plan, the Company may grant options to employees, consultants, officers and directors totaling up to 10% of its issued and outstanding common shares. The aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares.

(i) On March 6, 2017, the Company granted of stock options to its directors and officers to purchase up to an aggregate of 5,000,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.10 per share. The options vested immediately. The estimated fair value of these options at the grant date was \$475,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, nil (year ended July 31, 2017 - \$475,000) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 1.16%; expected life: 5.0 years; expected volatility: 350% based on historical trends; forfeiture rate: nil;

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July 31, 2018

9. SHARE CAPITAL, continued

expected dividend yield: 0%; and weighted average share price: \$0.095.

(ii) On October 6, 2017, the Company granted of stock options to its directors and officers to purchase up to an aggregate of 1,500,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.11 per share and the options vested immediately. The estimated fair value of these options at the grant date was \$193,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$193,000 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 1.78%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.14.

(iii) On January 17, 2018, the Company granted of stock options to its directors, officers and consultants to purchase up to an aggregate of 3,200,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.10 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$261,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$261,000 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.0%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.09.

(iv) On January 23, 2018, the Company granted of stock options to its consultants to purchase up to an aggregate of 770,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.10 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$63,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$63,000 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.0%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.09.

(v) On March 2, 2018, the Company granted of stock options to a consultant to purchase up to an aggregate of 500,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.10 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$31,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$25,833 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.0%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.07.

(vi) On May 8, 2018, the Company granted of stock options to its directors, officers and consultants to purchase up to an aggregate of 3,200,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$146,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$73,000 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.2%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.045.

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Notes to the Financial Statements
July 31, 2018

9. SHARE CAPITAL, continued

(vii) On June 18, 2018, the Company granted of stock options to a director to purchase up to an aggregate of 600,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$22,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$5,500 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.1%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.04

(viii) On July 5, 2018, the Company granted of stock options to an officer to purchase up to an aggregate of 150,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$5,000 using the Black-Scholes valuation model. During the year ended July 31, 2018, \$833 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.1%; expected life: 5.0 years; expected volatility: 150% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.035.

The following table summarizes information about the Company's options activity:

	July 31, 2018		July 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Issues and outstanding, beginning of year	\$ 10,550,000	\$ 0.10	\$ 5,550,000	\$ 0.10
Expired	(4,785,000)	(0.10)	-	-
Issued during the year	9,920,000	0.08	5,000,000	0.10
End of year	\$ 15,685,000	\$ 0.09	\$ 10,550,000	\$ 0.10

The following table summarises the outstanding stock options as at July 31, 2018:

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9. SHARE CAPITAL, continued

Expiry date	Exercise price (\$)	Weighted average remaining life (years)	Number of outstanding options	Number of options vested (exercisable)
March 27, 2019	0.10	0.65	2,750,000	2,750,000
March 6, 2022	0.10	3.60	3,465,000	3,465,000
October 10, 2022	0.10	4.20	1,150,000	1,150,000
January 17, 2023	0.10	4.47	3,100,000	3,100,000
January 23, 2023	0.10	4.48	770,000	770,000
March 2, 2023	0.10	4.59	500,000	-
May 8, 2023	0.05	4.77	3,200,000	-
June 18, 2023	0.05	4.88	600,000	-
July 5, 2023	0.05	4.93	150,000	-
	0.09	3.68	15,685,000	11,235,000

(c) Warrants

The following table summarizes information about the Company's warrants activity:

	July 31, 2018		July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Issues and outstanding, beginning of year	6,350,000	0.08	6,350,000	0.08
Issued during the year	6,830,000	0.10	-	-
Exercised	(350,000)	(0.08)	-	-
End of year	12,830,000	0.09	6,350,000	0.08

The following table summarizes the warrants outstanding and exercisable at July 31, 2018:

Issue date	Exercise price	Number of warrants	Expiry date
June 22, 2017	\$ 0.08	6,000,000	June 22, 2020
April 27, 2018	0.10	6,000,000	April 27, 2021
April 27, 2018	0.05	250,000	April 27, 2019
July 11, 2018	0.10	580,000	July 11, 2021
		12,830,000	

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10. INCOME TAXES

(a) Deferred income taxes

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2018	2017
Future income tax asset		
Operating losses available to offset future taxes	\$ 2,449,000	\$ 2,133,000
Tax basis of timing differences	93,000	84,000
	2,542,000	2,217,000
Valuation allowance	(2,542,000)	(2,217,000)
	\$ -	\$ -

The Company has determined that realization of a deferred tax asset is not probable and therefore a valuation allowance has been recorded against the deferred income tax asset.

(b) Current income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 26% (2017 - 26%) to the loss for the years as follows:

	2018	2017
Loss for the year before income taxes	\$ (1,236,200)	\$ (965,600)
Anticipated income tax recovery	\$ (321,400)	\$ (251,100)
Tax effect of the following:		
Benefit of income tax losses not recognized	272,500	343,600
Non-deductible expenses	57,000	25,700
Other deductible expenses	(8,100)	(118,200)
	\$ -	\$ -

(c) Income tax losses carried forward

As at July 31, 2018 the Company has non-capital losses of \$9,418,000 for tax purposes which can be applied against future taxable income. These losses expire in the years 2026 to 2038.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2018

11. LOSS PER SHARE

Loss per share is calculated on the weighted average number of common shares, options and warrants outstanding during the year, which was 148,520,089 (2017 - 116,625,884).

The Company has 12,830,000 unexercised warrants (2017 - 6,350,000) and 15,685,000 options (2017 - 10,550,000) outstanding as at July 31, 2018. Warrants and options outstanding in fiscal 2018 were excluded in the computation of loss per share due to the anti-dilutive nature.

12. CONTINGENCIES AND COMMITMENTS

(a) The Company has offered a "Risk Free Guarantee" on sales of InterceptCS™ product allowing consumers if they are not satisfied with the product, within 90 days of the date of purchase, to return product directly to the Company for a full refund. While returns have been insignificant to date, there can be no assurance that the Company will not receive an increased level of returns in the future.

(b) On October 18, 2016, the Company entered into an exclusive product development agreement with Microbonds Inc. to design the Company's next generation thermal therapy inset device. Microbonds Inc. was an advanced coatings and electrical design company in Markham, Ontario. The Company planned to incorporate Microbonds' proprietary coating into the next generation thermal therapy inset device under this agreement to provide additional benefit to its customers. The Company was committed to pay the balance of initial development fees of \$25,000. A license agreement was also embedded into this agreement which gave the Company an exclusive and worldwide license to use Microbonds' technology for 5 years plus an option to extend 2 more years. Microbonds has ceased operations during the year.

(c) On November 2, 2016, the Company entered into an exclusive license agreement (the "License") with Luminar Media Group Inc. ("Luminar") of Aventura, Florida, United States to market the Company's next generation thermal therapy insect device (the "Device") in US, Europe and Asia. The Company was to receive an aggregate of US\$250,000 from November 2016 to February 2017. In addition, the Company was to receive a royalty payment equal to 10% of gross sales of the Device up to the first 100,000 units sold and 5% of gross sales of the Device thereafter. The royalty was payable quarterly. Luminar was required to meet the various sales targets over the next 5 years after signing the agreement. In return, the Company committed to obtaining all regulatory approvals with the FDA of United States and other regulatory requirements in jurisdictions outside of the U.S. deemed necessary to market the product. The Company would also utilize its ISO 13485 Quality Management System in any market that Luminar intended to market. On October 2, 2017, the Company announced that it had formally terminated its exclusive agreement with Luminar to distribute TherOZap™ globally outside of Canada for reasons of non-performance of fees payable as outlined in the agreement.

(d) On March 30, 2017, the Company announced that it signed a service agreement with University Health Network (UHN), whereby UHN would develop testing methodology protocols for the TherOZap technology to determine the effectiveness of TherOZap at inactivating the Zika and West Nile viruses. On August 17, 2017, the Company made an amendment to the above service agreement to expand the testing.

(e) On May 30, 2017, the Company signed a design services agreement, the objective of which is to produce prototypes of Activators with a pre-configured number of activations in relation to InterceptCS™.

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July 31, 2018

13. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

The fair values of the Company's financial instruments approximate their carrying values. The carrying amounts of cash, accounts payable and accrued liabilities, loans from directors and current portion of long term debt approximate their fair values due to the short-term maturities of these instruments.

(b) Currency risk

The Company did not have any foreign currency exposure as at July 31, 2018 (2017 - nil). The results of the Company's operations are therefore not subject to currency transaction and translation risk.

(c) Liquidity risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to pay for the general and administrative expenses necessary to maintain the Company's books and records as well as its listing on the NEX. However, as an inactive company without a significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that the Company may not be able to achieve successful operations. The current uncertainty in global markets and the fact that the Company has a nominal amount of assets could have an impact on the Company's future ability to obtain capital on terms that are acceptable to the Company, and on the Company's future ability to achieve successful operations. The Company has so far maintained a limited amount of cash for its operational needs by means of loans from the directors and share issuance.

14. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its business objectives, and has plans to raise additional capital. The Company is not subject to any externally imposed capital requirements, and does not presently utilize any quantitative measures to monitor capital.

15. SUBSEQUENT EVENT

On September 17, 2018, the Company granted incentive stock options to certain directors, officers and consultants to purchase up to an aggregate of 250,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vest after 6 months from the date of grant.
