



Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **3D Signatures Inc.**

Year ended June 30, 2018

## Independent Auditors' Report

To the Shareholders of 3D Signatures Inc.:

We have audited the accompanying consolidated financial statements of 3D Signatures Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. 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 consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of 3D Signatures Inc. and its subsidiaries as at June 30, 2018 and June 30, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 4 to the consolidated financial statements which indicates that the Company is in the research and development stage, has incurred losses from operations and does not have a source of revenue. These conditions, along with other matters as set forth in Note 4, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Winnipeg, Manitoba

November 14, 2018



Chartered Professional Accountants



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

As at June 30	Note	2018	2017
<b>Assets</b>			
Current assets			
Cash		\$ 67,331	\$ 1,200,395
Amounts receivable	15(ii)	40,532	332,551
Prepaid expenses	7	59,031	665,716
<b>Total current assets</b>		<b>166,894</b>	<b>2,198,662</b>
Non-current assets			
Prepaid expenses	7	-	446,918
Property and equipment	8	262,621	467,187
<b>Total non-current assets</b>		<b>262,621</b>	<b>914,105</b>
<b>Total assets</b>		<b>\$ 429,515</b>	<b>\$ 3,112,767</b>
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	14	\$ 743,532	\$ 864,899
Current portion of deferred rent obligations		-	4,355
<b>Total current liabilities</b>		<b>743,532</b>	<b>869,254</b>
Non-current liabilities			
Deferred rent obligations		-	16,997
<b>Total non-current liabilities</b>		<b>-</b>	<b>16,997</b>
<b>Total liabilities</b>		<b>743,532</b>	<b>886,251</b>
Equity (deficit)			
Share capital	10(b)	11,441,210	10,402,822
Contributed surplus	10(c), 10(d)	5,045,913	3,930,216
Deficit		(16,801,140)	(12,106,522)
<b>Total equity (deficit)</b>		<b>(314,017)</b>	<b>2,226,516</b>
<b>Total liabilities and equity</b>		<b>\$ 429,515</b>	<b>\$ 3,112,767</b>

**Commitments (Note 13)**  
**Going concern (Note 4)**  
**Subsequent events (Note 17)**

**Approved on behalf of the board**

/s/ Sherif Louis  
Director

/s/ Hugh Rogers  
Director

See accompanying notes to the consolidated interim financial statements.



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

For the year ended June 30	Note	2018	2017
<b>Expenses</b>			
General and administrative	10(b)	\$ 3,065,741	\$ 6,321,110
Research and development	8, 9	1,542,052	1,120,161
		<b>4,607,793</b>	<b>7,441,271</b>
Other (income) expense:			
Impairment of property and equipment	8	102,260	-
Bad debt expense	15(ii)	1,000	-
Impairment of intangible assets	9	-	604,485
Finance (income) expense, net		(4,718)	8,538
Gain on settlement of deferred rent obligation		(11,717)	-
Listing costs	6	-	1,859,107
		<b>86,825</b>	<b>2,472,130</b>
<b>Net loss and comprehensive loss</b>		<b>\$ (4,694,618)</b>	<b>\$ (9,913,401)</b>
Basic and diluted loss per share		<b>\$ (0.08)</b>	<b>\$ (0.21)</b>
Weighted average number of common shares used in computing basic and diluted loss per share		<b>59,768,875</b>	<b>47,695,994</b>

See accompanying notes to the consolidated financial statements.



**Consolidated Statements of Changes in Equity (Deficiency)**  
(expressed in Canadian dollars)

	Note	Share capital	Contributed Surplus	Deficit	Total
<b>Balance, June 30, 2017</b>		<b>\$ 10,402,822</b>	<b>\$ 3,930,216</b>	<b>\$ (12,106,522)</b>	<b>\$ 2,226,516</b>
<b>Net loss for the year ended June 30, 2018</b>		-	-	<b>(4,694,618)</b>	<b>(4,694,618)</b>
<b>Issuance of common shares (net of costs)</b>	<b>10(b)</b>	<b>748,640</b>	<b>1,221,790</b>	-	<b>1,970,430</b>
<b>Stock options exercised</b>	<b>10(c)</b>	<b>289,748</b>	<b>(164,784)</b>	-	<b>124,964</b>
<b>Issuance of options (net of costs)</b>	<b>10(c)</b>	-	<b>58,691</b>	-	<b>58,691</b>
<b>Balance, June 30, 2018</b>		<b>\$ 11,441,210</b>	<b>\$ 5,045,913</b>	<b>\$ (16,801,140)</b>	<b>\$ (314,017)</b>
<b>Balance, June 30, 2016</b>		<b>\$ 1,463,659</b>	<b>\$ 524,612</b>	<b>\$ (2,193,121)</b>	<b>\$ (204,850)</b>
<b>Net loss for the year ended June 30, 2017</b>		-	-	<b>(9,913,401)</b>	<b>(9,913,401)</b>
<b>Issuance of common shares (net of costs)</b>	<b>10(b)</b>	<b>6,743,758</b>	<b>2,426,081</b>	-	<b>9,169,839</b>
<b>Shares issued to shareholders of Plicit</b>	<b>6</b>	<b>1,767,500</b>	-	-	<b>1,767,500</b>
<b>Stock options exercised</b>	<b>10(c)</b>	<b>81,276</b>	<b>(46,286)</b>	-	<b>34,990</b>
<b>Warrants exercised</b>	<b>10(d)</b>	<b>346,629</b>	<b>(108,297)</b>	-	<b>238,332</b>
<b>Issuance of options (net of costs)</b>	<b>10(c)</b>	-	<b>1,134,106</b>	-	<b>1,134,106</b>
<b>Balance, June 30, 2017</b>		<b>\$ 10,402,822</b>	<b>\$ 3,930,216</b>	<b>\$ (12,106,522)</b>	<b>\$ 2,226,516</b>

See accompanying notes to the consolidated financial statements.



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

<b>For the year ended June 30:</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Cash (used in) provided by:			
Operating activities:			
Loss and comprehensive loss for the period		\$ (4,694,618)	\$ (9,913,401)
Non-cash listing costs	6	-	1,310,946
Share based payments	6	-	175,000
Amortization of intangible assets		-	58,136
Impairment of intangible assets		-	604,485
Depreciation of property and equipment	8	124,326	52,222
Impairment loss on property and equipment	8	102,260	-
Stock-based compensation	10(c)	58,691	1,134,106
Deferred rent obligations		(21,352)	21,532
Accretion of notes payable		-	5,777
Changes in non-cash working capital accounts			
Amounts receivable		292,019	(279,556)
Prepaid expenses		1,053,603	(1,038,321)
Accounts payable and accrued liabilities		(121,367)	(30,609)
<b>Cash used in operating activities</b>		<b>(3,206,441)</b>	<b>(7,899,863)</b>
Financing activities:			
Proceeds from issuance of common shares	10(b)	2,122,673	9,950,213
Exercise of stock options	10(c)	124,964	34,990
Exercise of warrants	10(c)	-	238,332
Share issuance costs	10(b)	(152,241)	(955,374)
Advances of notes payable		-	33,800
Repayment of notes payable		-	(101,107)
<b>Cash flows from financing activities</b>		<b>2,095,396</b>	<b>9,200,854</b>
Investing activities:			
Purchases of equipment	8	(23,167)	(254,025)
Purchases of intangible assets		-	(223,694)
Government assistance received	5(h)	1,148	198,506
Cash assumed in acquisition of Plicit	6	-	139,954
<b>Cash used in investing activities</b>		<b>(22,019)</b>	<b>(139,259)</b>
(Decrease) increase in cash		(1,133,064)	1,161,732
Cash, beginning of period		1,200,395	38,663
<b>Cash, end of period</b>		<b>\$ 67,331</b>	<b>\$ 1,200,395</b>
<b>Supplementary information:</b>			
Non-cash financing activities			
Shares issued to Plicit shareholders	6	\$ -	\$ 1,767,500
Shares issued as a finder's fee	6	-	175,000
Broker/finder's warrants as share issuance costs	10(b)	(39,534)	(383,322)



## Notes to the Consolidated Financial Statements (expressed in Canadian dollars)

### 1. Reporting entity:

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

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

### 2. Statement of Compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Directors on November 14, 2018.

### 3. Basis of preparation of financial statements:

#### (a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments at fair value through profit or loss which are measured at fair value.

#### (b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiary as at June 30, 2018.

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

The Company's subsidiaries are as follows:

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

#### (c) Functional and presentation currency

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

#### (d) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future.

Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Management has used judgment in its assessment that Plicit Capital Corp., a capital pool company, did not constitute a business at the time of the Transaction.

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

***(d) Significant accounting judgments, estimates and assumptions (continued)***

Information about key assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 5(b): The measurement and period of use of property and equipment
- Note 5(c): The measurement and period of use of intangible assets
- Note 5(e): Assumptions related to impairment of non-financial assets
- Note 5(g): The assumptions and model used to estimate the value of share-based payment transactions and warrants
- Note 5(h): The measurement and recognition of government assistance received
- Note 7: The measurement of future economic benefits from prepaid expenses

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and futures periods if the revision affects both current and future periods.

**4. Going concern:**

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

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

On May 31, 2018, the Company announced its intention to file for bankruptcy as a result of the uncertainty surrounding the availability of sufficient capital to complete the commercialization and realization of the intangible assets, the Company has recorded a provision against the value of the intangibles and property and equipment (Note 8 and 9) and prepaids (Note 7). Should the underlying circumstances change, the Company may release this provision in the future. Subsequent to June 30, 2018, the Company restructured its Board of Directors and obtained a loan from a related party to support continued operations and management and will not be proceeding with the bankruptcy proceedings. The Company expects to receive additional financing from the related party to continue to support operations for the foreseeable future including the next 12 months. Management will continue with capital raising to fund development of its intangible assets.

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

During the year ended June 30, 2018, the Company incurred a net loss \$4,694,618 (2017 - \$9,913,401) and has an accumulated deficit of \$16,801,140 (2017 - \$12,106,522).

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

**5. Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

**(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less on the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(b) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property or equipment.

**(ii) Depreciation**

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the pattern of consumption of the future economic benefits embodied in the asset. Internally constructed assets are depreciated from the time an asset is available for use. The estimated useful lives for the current and comparative periods is as follows:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Computer equipment	Straight line	2 years
Lab equipment	Straight line	5 years
Furniture and equipment	Straight line	5 years
Leasehold improvements	Straight line	Term of lease

As there exists material uncertainty on the Company's ability to realize the full carrying value of assets, the fixed assets of the Company are being carried at recoverable amounts and are not being used currently as management assesses the strategic direction of the Company.

**(c) Intangible assets**

**(i) Recognition and measurement**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to complete development and to use or sell the asset.

As there exists material uncertainty on the Company's ability to realize the full carrying value of assets, the intangible assets of the Company are being carried at recoverable amounts and are not being used currently as management assesses the strategic direction of the Company.

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

**5. Summary of significant accounting policies (continued)**

**(c) Intangible assets (continued)**

**(ii) Patents**

Costs incurred in obtaining a patent are capitalized and amortized on a straight-line basis over the legal life of the respective patent of twenty years, or its economic life, if shorter. Costs incurred in successfully obtaining a patent are measured at cost less accumulated amortization and accumulated impairment losses. The costs of servicing the Company's patents are expensed as incurred.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

**(iv) Software**

Software packages purchased from third parties for office or lab use are capitalized and amortized over its estimated useful life of five years. Payments made to third parties for the development of software to enable the commercialization of its patented technology are capitalized as incurred. Once the software is available for use, it will be amortized over its estimated useful life.

**(d) Financial instruments**

**(i) Financial assets and liabilities**

The Company classifies its financial assets as [i] financial assets at fair value through profit or loss, [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at fair value through profit or loss or [ii] other financial liabilities. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the statement of financial position.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

***Financial assets at fair value through profit or loss ("FVTPL")***

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of comprehensive income. Transaction costs on FVTPL are expensed as incurred.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs. The Company has designated its cash and amounts receivable as loans and receivables.

**(ii) Derecognition**

A financial asset is unrecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

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

**5. Summary of significant accounting policies (continued)**

**(d) Financial instruments (continued)**

**(iii) Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

**(iv) Other financial liabilities**

Financial liabilities are measured at amortized cost using the effective interest method. All financial liabilities are initially measured at fair value. Transaction costs related other financial liabilities are included in the value of the instruments and amortized using the effective interest method. The effective interest expense is included in finance costs. The Company has designated its accounts payable and accrued liabilities and deferred rent obligations as other financial liabilities.

**(v) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

**(vi) Interest income and expense**

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

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

**5. Summary of significant accounting policies (continued)**

**(d) Financial instruments (continued)**

**(vii) Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The following methods and assumptions were used to estimate the fair values:

Cash approximates its carrying amount due to the short-term maturities of these instruments and was originally determined using Level 2 inputs. Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature and was originally determined using Level 2 inputs. Notes payable's fair value is referenced to similar instruments and reflects its carrying value and was originally determined using Level 2 inputs. Deferred rent obligations represents its amortized cost and was originally determined using Level 2 inputs.

The fair value of notes payable is determined by discounting future cash flows using rates currently available for instruments and debt on similar terms, credit risk and remaining maturities.

**(e) Impairment of non-financial assets**

The carrying amount of long-lived non-financial assets, including intangible assets, prepaid expenses, and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate.

**(f) Foreign currency translation**

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

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

**5. Summary of significant accounting policies (continued)**

**(g) Share-based payments**

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and contributed surplus reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

**(h) Government assistance**

Government assistance for the acquisition of property and equipment or intangible assets is recorded as a credit to the cost of the related asset when received. During the year ended June 30, 2018, the Company received Scientific Exploration and Experimental Development credits totaling \$nil (2017 - \$32,261), which was credited against the cost of computer software and \$1,148 (2017- \$24,255), from the Province of Manitoba of which \$1,148 (2017- \$11,509) was credited against the cost of lab equipment and \$nil (2017 - \$12,746) was credited against the cost of software.

Income tax credits related to scientific research and development activities are accounted for as a credit to the related expense or as a reduction of capital expenditures based on the nature of the expenses that qualify for the credit. During the year, the Company received Scientific Exploration and Experimental Development credits totaling \$59,415 (2017 - \$79,124); grants from the Government of Manitoba totaling \$Nil (2017 - \$29,911), grants from the National Research Council credits totaling \$3,225 (2017 - \$Nil); and grants from the Industrial Research Assistance Program (IRAP) of \$Nil (2017 - \$39,655) and has credited these amounts against research and development expenses.

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

**5. Summary of significant accounting policies (continued)**

**(i) Standards issued but not yet effective**

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at June 30, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

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

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

***IFRS 9 Financial instruments***

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

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

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers*, and SIC 31 *Revenue – barter transactions involving advertising services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

***IFRS 16 Leases***

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



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

**6. Acquisition of public listing:**

On September 8, 2016, 3D Signatures Inc. (“3DS”), now 3D Signatures Holdings Inc., completed a Qualifying Transaction with Plicit Capital Corp. (“Plicit”), now 3D Signatures Inc. Pursuant to the agreement, Plicit acquired all of the issued and outstanding securities of 3DS (the “Transaction”). Each shareholder of 3DS received 4.0376 Plicit common shares for each common share of the Company (the “Exchange Ratio”). The stock options of 3DS were also exchanged for stock options to acquire Plicit shares, adjusted based on the Exchange Ratio. Upon completion of the Transaction, 3DS became a wholly owned subsidiary of Plicit and Plicit changed its name to “3D Signatures Inc.” (the “Company”).

Concurrent with the closing of the Transaction, the Company completed a brokered private placement (Note 7). The Company also issued 500,000 common shares as a finder’s fee upon closing of the Transaction, which were valued at the fair value of the shares issued during the concurrent private placement. On closing of the Transaction and brokered private placement, the shareholders of 3DS held approximately 55% of the issued and outstanding shares of the Company. As a result, the shareholders of 3DS controlled the Company and the acquisition constituted a reverse take-over of Plicit by 3DS. 3DS’s assets, liabilities and operations since incorporation were included in these consolidated financial statements at their historical carrying values. The results of operations of Plicit from the date of acquisition of September 8, 2016 were included in these consolidated condensed interim financial statements.

Since Plicit did not meet the definition of a business under IFRS 3, *Business Combinations*, the acquisition was accounted for as a purchase of Plicit’s assets by 3DS. The consideration paid was determined as an equity settled share-based payment under IFRS 2, *Share-based Payments*, and measured at the fair value of the equity of the Company retained by the shareholders of Plicit based on the fair value of the shares issued in the concurrent brokered private placement.

The Company recorded listing costs of \$1,859,107 in the consolidated statements of loss and comprehensive loss, the details of which are as follows:

5,050,000 common shares issued @ \$0.35 per share	<b>\$ 1,767,500</b>
Less:	
Cash acquired	<b>139,954</b>
Note receivable acquired	<b>283,800</b>
Other current assets acquired	<b>32,800</b>
Direct listing costs	<b>1,310,946</b>
Shares issued as a finder's fee	<b>175,000</b>
Professional fees related to the Transaction	<b>373,161</b>
<b>Total listing costs</b>	<b>\$ 1,859,107</b>

**7. Prepaid expenses**

Prepaid expenses include fees paid to a shareholder of the Company for advisory services to be rendered over a period of three years, entered into September 8, 2016 and concludes September 8, 2019. During the year ended June 30, 2017, the Company recorded expenses of \$303,082 in general and administrative expenses relating to this agreement. During the year ended June 30, 2018, the Company recorded an expense of \$540,411 in general and administrative relating to this agreement as the services are no longer being provided and the Company does not intend to recover the costs from the provider.

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

**8. Property and equipment:**

Cost	Computer equipment	Lab equipment	Furniture & equipment	Leasehold improvements	Total
Balance, June 30, 2016	\$ 8,486	\$ 134,366	\$ 6,395	\$ -	\$ 149,247
Additions	34,706	342,627	7,189	22,624	407,146
Government assistance received	-	(11,509)	-	-	(11,509)
Balance, June 30, 2017	\$ 43,192	\$ 465,484	\$ 13,584	\$ 22,624	\$ 544,884
<b>Additions</b>	<b>\$ 15,017</b>	<b>\$ 8,150</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,167</b>
<b>Government assistance received</b>	<b>-</b>	<b>\$ (1,148)</b>	<b>-</b>	<b>-</b>	<b>\$ (1,148)</b>
<b>Balance, June 30, 2018</b>	<b>\$ 58,209</b>	<b>\$ 472,486</b>	<b>\$ 13,584</b>	<b>\$ 22,624</b>	<b>\$ 566,903</b>

Accumulated amortization	Computer Equipment	Lab Equipment	Furniture & Equipment	Leasehold Improvements	Total
Balance, June 30, 2016	\$ 3,050	\$ 22,045	\$ 380	\$ -	\$ 25,475
Depreciation	8,644	36,467	2,448	4,663	52,221
Balance, June 30, 2017	\$ 11,694	\$ 58,512	\$ 2,828	\$ 4,663	\$ 77,697
<b>Depreciation</b>	<b>24,129</b>	<b>93,980</b>	<b>1,692</b>	<b>4,525</b>	<b>124,326</b>
<b>Impairment</b>	<b>-</b>	<b>80,856</b>	<b>7,967</b>	<b>13,436</b>	<b>102,259</b>
<b>Balance, June 30, 2018</b>	<b>\$ 35,822</b>	<b>\$ 233,349</b>	<b>\$ 12,487</b>	<b>\$ 22,624</b>	<b>\$ 304,282</b>

Carrying amounts	Computer Equipment	Lab Equipment	Furniture & Equipment	Leasehold Improvements	Total
At June 30, 2017	\$ 31,498	\$ 406,972	\$ 10,756	\$ 17,961	\$ 467,187
<b>At June 30, 2018</b>	<b>\$ 22,387</b>	<b>\$ 239,138</b>	<b>\$ 1,097</b>	<b>\$ -</b>	<b>\$ 262,621</b>

For the year ended June 30, 2018, depreciation of property and equipment of \$124,326 (2017 - \$52,222) was recognized in research and development.



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

**9. Intangible assets:**

Cost	Software	Patents	Total
Balance, June 30, 2016	\$ 325,172	\$ 394,502	\$ 719,674
Additions	16,899	40,717	57,616
Government assistance received	(45,007)	-	(45,007)
Impairment loss	(297,064)	(435,219)	(732,283)
Balance, June 30, 2017	\$ -	\$ -	\$ -
<b>Balance, June 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Accumulated amortization	Software	Patents	Total
Balance, June 30, 2016	\$ 26,086	\$ 43,576	\$ 69,662
Amortization	35,671	22,465	58,136
Impairment loss	(61,757)	(66,041)	(127,798)
Balance, June 30, 2017	\$ -	\$ -	\$ -
<b>Balance, June 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Carrying amounts	Software	Patents	Total
At June 30, 2017	\$ -	\$ -	\$ -
<b>At June 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has considered indicators of impairment as at June 30, 2018 and 2017. To June 30, 2018, the Company has recorded an aggregate impairment loss of \$604,485 resulting from management's assessment of uncertainty surrounding the availability of sufficient capital to complete the commercialization and realization of the software and patents classified as intangible assets. During the year ended June 30, 2018, the Company recorded an impairment loss of \$nil (2017 - \$604,485).

For the year ended June 30, 2018, amortization of intangible assets of \$nil (2017 - \$58,136) was recognized in research and development expenses.

Effective April 1, 2017, all software costs are available for use by the Company and amortization recorded has been included in the above figures.

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

**10. Share capital:**

**(a) Authorized**

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

**(b) Shares issued and outstanding**

Shares issued and outstanding are as follows:

<b>As at June 30</b>	<b>2018</b>	<b>2017</b>
<i>Issued</i>		
Common shares issued – 64,531,545 (June 30, 2017 – 53,408,780)	<b>\$ 11,441,210</b>	\$ 10,402,822
	<b>\$ 11,441,210</b>	\$ 10,402,822

	<b>Number</b>	<b>Amount</b>
Balance at June 30, 2016	6,271,836	\$ 1,463,659
Elimination of 3DS Shares (Note 6)	(6,271,836)	-
Conversion to new Plicit Shares at 4.0376 (Note 6)	25,323,161	-
Shares issued to Plicit shareholders (Note 6)	5,050,000	1,767,500
Shares issued in brokered private placement (i)	15,572,038	5,450,213
Share issuance costs (i)	-	(473,518)
Shares issued as finder's fee (Note 6)	500,000	175,000
Broker warrants issued (ii)	-	(198,406)
Shares issued through exercise of stock options (10(c))	282,632	81,276
Shares issued through exercise of warrants (10(d))	680,949	346,629
Shares issued in brokered private placement (iii)	6,000,000	4,500,000
Share issuance costs (iii)	-	(481,856)
Issuance of warrants (iii)	-	(2,042,759)
Broker warrants issued (iii)	-	(184,916)
Balance at June 30, 2017	53,408,780	\$ 10,402,822
<b>Shares issued in non-brokered private placement (iv)</b>	<b>2,000,000</b>	<b>500,000</b>
<b>Share issuance costs (iv)</b>	<b>-</b>	<b>(8,215)</b>
<b>Shares issued in non-brokered private placement (v)</b>	<b>8,113,365</b>	<b>1,622,673</b>
<b>Share issuance costs (v)</b>	<b>-</b>	<b>(144,027)</b>
<b>Issuance of warrants (v)</b>	<b>-</b>	<b>(1,182,256)</b>
<b>Finder warrants issued (v)</b>	<b>-</b>	<b>(39,534)</b>
<b>Shares issued through exercise of stock options (10 (c))</b>	<b>1,009,400</b>	<b>289,747</b>
<b>Balance at June 30, 2018</b>	<b>64,531,545</b>	<b>\$ 11,441,210</b>

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

**10. Share capital (continued)**

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

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

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

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

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

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

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

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

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

**10. Share capital (continued)**

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

(iii) (continued)

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

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

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

(v) On December 5, 2017, the Company announced the closing of a non-brokered private placement (the “December 2017 Private Placement”) by way of the sale of 8,113,365 units (a “Unit”) at a price of \$0.20 per unit for gross proceeds of \$1,622,673. Each unit consists of one common share of the Company and one common share purchase warrant (a “Purchase Warrant”) at an exercise price of \$0.35 per common share until December 5, 2022.

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

Expected life	5 years
Expected volatility	85%
Risk free rate	1.70%
Dividend yield	Nil
Underlying share price	\$0.24
Strike price	\$0.35

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

Expected life	2 years
Expected volatility	85%
Risk free rate	1.54%
Dividend yield	Nil
Underlying share price	\$0.24
Strike price	\$0.35

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

**10. Share capital (continued)**

**(c) Stock option plan**

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

The fair value of the options issued during the year ended June 30, 2018 was estimated using the Black-Scholes model with the following significant assumptions:

Expected life	10 years
Expected volatility	85%
Risk free rate	1.10% - 2.04%
Dividend yield	Nil
Underlying share price	\$0.10 - \$0.79
Strike price	\$0.10 - \$0.79

Expected volatility was estimated by reference to comparable listed entities, due to the limited trading history of the Company. Stock based compensation for the year ended June 30, 2018 was \$58,691 (2017 - \$1,134,106) and is included in general and administrative expenses.

Changes in the number of options outstanding during the year ended June 30, 2018 and 2017 are as follows:

	<b>2018</b>		<b>2017</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, beginning of year	<b>5,054,496</b>	<b>\$ 0.37</b>	3,317,558	<b>\$ 0.14</b>
Granted	-	-	2,154,155	0.68
Exercised	<b>(1,009,400)</b>	<b>(0.12)</b>	(282,632)	(0.12)
Forfeited, cancelled or expired	<b>(258,544)</b>	<b>(0.65)</b>	(134,585)	(0.25)
Balance, end of period	<b>3,786,552</b>	<b>\$ 0.41</b>	5,054,496	<b>\$ 0.37</b>
Options exercisable, end of year	<b>3,417,958</b>	<b>\$ 0.38</b>	4,428,371	<b>\$ 0.31</b>

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

**10. Share capital (continued)**
**(c) Stock option plan (continued)**

The following is a summary of the 3,786,552 outstanding options issued under the Plan as at June 30, 2018:

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

**(d) Warrants**

Changes in the number of warrants outstanding during the year ended June 30, 2018 and 2017 are as follows:

	2018		2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	7,044,814	\$ 0.86	-	\$ -
Granted	8,571,885	0.35	7,725,762	0.82
Exercised	-	-	(680,949)	(0.35)
Balance, end of period	<b>15,616,699</b>	<b>\$ 0.58</b>	7,044,814	\$ 0.86

**(e) Loss per share**

The following table reflects the loss and share data used in the basic and diluted loss per share computations for the year ended June 30, 2018 and 2017:

For the year ended June 30	2018	2017
Net loss	\$ (4,694,618)	\$ (9,913,401)
Weighted average number of common shares <sup>(1)</sup>	<b>59,768,875</b>	47,695,994

<sup>(1)</sup> Adjusted for Exchange Ratio (Note 6)

Effects of dilution from 3,786,552 stock options and 15,616,699 warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the year ended June 30, 2018 as they are anti-dilutive. Effects of dilution from 5,054,496 stock options and 7,044,814 warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the year ended June 30, 2017 as they are anti-dilutive.

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

**11. Income taxes:**

As at June 30, 2018 and 2017, the Company has unused tax losses and deductible temporary difference for which no deferred tax asset has been recognized as follows:

	2018	2017
Non-capital loss carryforwards	\$ 12,839,616	\$ 8,324,287
Deductible temporary differences	1,821,336	1,886,146
<b>Total</b>	<b>\$ 14,660,952</b>	<b>\$ 10,210,433</b>

The reconciliation between income tax expense and accounting loss multiplied by the combined federal and provincial income rate is as follows:

	2018	2017
Net loss	\$ (4,694,618)	\$ (9,913,401)
Income tax recovery at statutory rate of 26.5% (2017 – 26.5%)	(1,244,074)	(2,627,052)
Non-deductible expenses	19,176	651,083
Taxable loss carry-forwards and temporary difference not recognized	1,224,898	1,975,969
<b>Income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

As at June 30, 2018, unused tax losses for which deferred tax assets are not recognized, including their dates of expiry where applicable, are approximately as follows:

2032	\$ 41,397
2033	225,148
2034	883,037
2035	831,051
2036	95,740
2037	5,855,196
2038	4,908,047
	<b>\$ 12,389,616</b>



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

**12. Employee benefits:**

The reconciliation between income tax expense and the accounting loss multiplied by the combined federal and provincial income tax rate is as follows:

<b>For the year ended June 30</b>	<b>2018</b>	<b>2017</b>
Included in general and administrative expenses		
Salaries and wages	\$ 738,501	\$ 844,600
Post-employment benefits	26,049	20,821
Stock-based compensation	58,691	861,370
Included in general and administrative expenses		
Salaries and wages	929,073	539,734
Post-employment benefits	33,462	28,689
Government assistance received	(50,485)	(114,649)
<b>Total employee benefits expense</b>	<b>\$ 1,735,291</b>	<b>\$ 2,180,565</b>

**13. Commitments**

As at June 30, 2018, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed as follows:

<b>Contractual obligations payment due by fiscal period ending June 30:</b>	
2019	\$ 80,862

The Company has entered into sublease agreements which offset its obligation under other agreements. Should these agreements not be fulfilled, the Company would be obligated to pay approximately \$12,600 in 2019 and \$13,125 in 2020 and 2021.

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

**14. Key management personnel compensation**

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

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

	<b>For the year ended June 30, 2018</b>	<b>For the year ended June 30, 2017</b>
Salaries, fees and short-term benefits	<b>\$ 907,286</b>	\$ 839,895
Stock-based compensation	<b>62,693</b>	1,072,000
	<b>\$ 969,979</b>	\$ 1,911,895

Certain directors and key management personnel control 23% of the voting shares of the Company as at June 30, 2018 (2017 – 29%). As at June 30, 2018, the Company has \$111,002 (2017 - \$63,146) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel.

Included within stock-based compensation expense during the year ended June 30, 2018 is stock-based compensation expense(recovery) of (\$79,385) (2017 - \$178,432) representing the service expense (recovery) of 925,000 stock options to be issued to a member of key management personnel at a future date, with pricing to be determined and in accordance with the Company's share price on the Toronto Venture Stock Exchange on the date of the grant. The fair value of the options to be issued to the member of key management was estimated using the Black-Scholes Model with the following significant assumptions:

Expected life	10 years
Expected volatility	85%
Risk free rate	2.04% (2017 - 1.70%)
Dividend yield	Nil
Underlying share price	\$0.10 (2017 - \$0.45)
Strike price	\$0.10 (2017 - \$0.45)

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

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

Subsequent to June 30, 2018, the options were not granted and the rights to these options were forfeited (Note 17).

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

**15. Financial instruments and financial risk management:**

**(a) Risks arising from financial instruments**

**(i) Market risk**

The Company is exposed to foreign exchange risk, the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates, due to its United States dollar denominated cash and accounts payable and accrued liabilities. A 5% appreciation or deterioration of the Canadian dollar against the United States dollar would result in an increase and decrease, respectively in the Company's net income of approximately \$334 as at June 30, 2018. The Company is not exposed to any significant interest risk as it does not have any variable rate borrowings.

**(ii) Credit risk**

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. The Company believes this risk to be low as there are no trade receivables as no revenues have been earned to June 30, 2018. Additionally, amounts receivable are primarily composed of government remittances receivable in which the Company believes the collection risk is low. Additionally, the Company mitigates credit risk by holding all cash in a chartered bank.

**(b) Risks arising from financial instruments**

**(iii) Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations as they become due. The Company manages liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements regularly and believes there may not be sufficient funding for the foreseeable future. All financial liabilities are current and due within the next twelve months.

**(c) Capital management**

The Company's objective when managing capital is for the Company to safeguard the entity's ability to continue as a going concern, so that it can continue to explore and develop its research to ultimately provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Company may issue new shares or attempt to obtain debt financing.

The Company's management of capital as at June 30, 2018 consists of only the remaining cash at year end.

**16. Segmented information:**

The Company has a single operating segment, focused on the development and commercialization of predictive technological products designed to personalize treatment plans for patients who have specific conditions. Substantially all of the Company's employees and assets are located within Canada.

**17. Subsequent events:**

On September 12, 2018, the Company secured financing from a related party in the amount of \$105,000 bearing interest at 10% and maturing on September 12, 2019.

On September 12, 2018, a key management personnel was granted 2,000,000 common shares of the Company to settle \$337,500 in severance payments. In addition, the same key management personnel waived all rights to 925,000 stock options described in Note 14 and agreed to an amended expiry date of September 12, 2023 for 275,000 stock options with an original expiry of September 26, 2026 and 253,125 stock options with an original expiry of January 17, 2027.