



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2018

(UNAUDITED)**

PREPARED BY MANAGEMENT WITHOUT REVIEW BY THE COMPANY'S AUDITORS

Ventripoint Diagnostics Ltd.
Consolidated Statements of Financial Position
Amounts in CDN Dollars

	Note	As at September 30, 2018	As at December 31, 2017
ASSETS			
Cash and equivalents		\$651,039	\$1,358,923
Amounts receivable	3	123,310	99,809
Inventory		70,802	50,582
Prepaid Expenses		210,726	113,387
Total current assets		1,055,877	1,622,701
Property and equipment	5	55,191	49,915
Intangible assets		37,340	37,340
Total non-current assets		92,530	87,255
Total assets		\$1,148,408	\$1,709,956
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Accounts payable and accrued liabilities	4	\$1,184,400	\$1,152,366
Derivative liabilities	7	132,364	2,183,831
Total current liabilities		1,316,764	3,336,197
Total liabilities		\$1,316,764	\$3,336,197
Shareholders' deficit			
Share capital	8	28,681,411	26,565,366
Contributed surplus	8	4,782,787	4,344,397
Deficit		(33,632,554)	(32,536,004)
Total deficit		(\$168,356)	(\$1,626,241)
Total liabilities and shareholders' deficit		\$1,148,408	\$1,709,956

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.
Consolidated Statements of Loss and
Comprehensive Loss
Amounts in CDN Dollars

	Note	Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue		60,177	-	60,177	38,903
Cost of revenue		28,902	28,461	32,095	38,414
Gross Margin		31,275	(28,461)	28,083	489
Expenses					
Research and development		391,762	424,272	1,092,605	832,497
Sales and marketing		212,703	469,633	765,905	632,776
General and administrative		302,321	355,955	1,049,560	960,892
Total operating expenses		906,786	1,249,860	2,908,070	2,426,165
Loss from operations		(875,511)	(1,278,321)	(2,879,987)	(2,425,676)
Non-operating income (loss)					
Finance costs		(1,198)	(973)	(3,349)	(442,484)
Derivative liabilities revaluation adjustment	7	744,444	1,370,729	1,797,330	757,118
Other income (expense)		-	18,216	-	28,040
Gain (loss) on shares issued for debt		-	-	-	133,942
Foreign currency differences		16,763	15,469	(10,544)	8,956
Total non-operating income (loss)		760,009	1,403,440	1,783,437	485,572
Loss and comprehensive loss		(115,502)	125,119	(1,096,550)	(1,940,104)
Basic and diluted loss per share	8	(0.00)	0.00	(0.02)	(0.04)

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.
Consolidated Statements of Cash Flows
Amounts in CDN Dollars

		Nine months ended	
	Note	September 30, 2018	September 30, 2017
OPERATING ACTIVITIES			
Net loss		(\$1,096,550)	(\$1,940,104)
<i>Adjustments for items not effecting cash:</i>			
Depreciation and amortization	5	20,497	8,497
Share-based compensation	8	331,640	388,186
Accretion of debenture and notes payable		-	13,907
Interest on debenture and notes payable		-	18,981
Deferred Share Unit expense		-	80,638
Derivative liabilities revaluation adjustment	7	(1,797,330)	(757,118)
Gain on shares issued for debt		-	(133,942)
Consulting fees & accrued salaries settled with shares	8	204,000	-
Other expense (income)		-	(27,464)
Transaction costs for financing activities		-	405,598
Loss on disposal of property and equipment		-	576
Foreign exchange gain		10,544	(8,956)
		(2,327,200)	(1,951,201)
<i>Change in non-cash working capital items:</i>			
Amounts receivable		(23,501)	53,551
Prepaid expenses		(97,340)	149,046
Inventory		(20,220)	(14,796)
Accounts payable and accrued liabilities		32,034	(383,143)
Deferred revenue		-	(38,902)
Cash used in operating activities		(2,436,227)	(2,185,445)
INVESTING ACTIVITIES			
Additions to property and equipment	5	(25,772)	(10,220)
Cash used in investing activities		(25,772)	(10,220)
FINANCING ACTIVITIES			
Issuance of share capital for cash	8	1,790,000	4,677,506
Interest paid on debentures and notes in cash		-	(40,382)
Debenture & note repayment in cash		-	(109,000)
Share and debenture issuance costs paid in cash	8	(25,340)	(282,065)
Cash provided by financing activities		1,764,660	4,246,059
Effect of foreign exchange on cash and equivalents		(10,545)	26,233
Net increase (decrease) in cash and equivalents		(707,884)	2,076,627
Cash and equivalents at beginning of period		1,358,923	191,282
Cash and cash equivalents at end of period		\$651,039	\$2,267,909

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

Amounts in CDN Dollars except numbers of shares

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2017		51,588,508	26,565,366	4,344,397	(32,536,004)	(1,626,241)
Shares issued with sale of stock	8	4,816,666	1,011,500			1,011,500
Warrants issued with sale of stock	7, 8		(179,546)	179,546		-
Share-based compensation	8			331,640		331,640
Stock options exercised	8	450,000	189,294	(72,795)		116,499
Warrants exercised	7, 8	2,206,667	916,137			916,137
Liabilities settled with shares	8	648,397	204,000			204,000
Share issuance costs			(25,340)			(25,340)
Loss and comprehensive loss					(1,096,550)	(1,096,550)
Balance, September 30, 2018		59,710,238	\$28,681,411	\$4,782,787	\$(33,632,554)	\$(168,356)
	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2016		32,138,218	22,881,118	3,701,841	(28,832,801)	(2,249,843)
Shares issued with sale of stock	8	10,496,938	3,359,020			3,359,020
Warrants issued with sale of stock	7, 8		(3,359,020)			(3,359,020)
Liabilities settled with shares	6(b), 8	1,575,000	504,000			504,000
Warrants issued with settlement of liabilities	6(b), 7		(504,000)			(504,000)
Shares issued on conversion of convertible debentures	6(c)	766,667	399,389			399,389
Share-based compensation	8			388,186		388,186
Finder's Units issued in connection with sale of stock	8	282,555		123,533		123,533
Stock options exercised	8	425,000	116,167	(47,917)		68,250
Warrants exercised	7, 8	5,904,130	3,168,692			3,168,692
Deferred Share Units issued				80,638		80,638
Loss and comprehensive loss					(1,940,104)	(1,940,104)
Balance, September 30, 2017		51,588,508	\$26,565,366	\$4,246,281	\$(30,772,905)	\$38,741

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Notes to the Consolidated Financial Statements

September 30, 2018 and 2017

Amounts in Canadian Dollars unless otherwise stated

1. Corporate information

Ventripoint Diagnostics Ltd. (“Diagnostics” or the “Company”) was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint Inc. (“Ventripoint”, Diagnostics and Ventripoint, collectively referred to herein as the “Company” or “Companies”) on September 18, 2007. Diagnostics is a Canadian public company with its shares listed on the TSX Venture Exchange (“TSXV” or the “Exchange”) with the trading symbol “VPT”. Ventripoint Inc. was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Ventripoint Inc.’s registration was migrated to the State of Delaware on December 21, 2017. The Company’s registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements for the nine month periods ended September 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*. Accordingly, they do not include all disclosures which would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has applied the same accounting policies and methods of computation in its interim condensed consolidated interim financial statements as in its 2017 annual audited consolidated financial statements.

The September 30, 2017 unaudited comparable statements have been restated to reflect the audited adjustments made for the 2017 audited annual financial statements with respect to the valuation of Derivative Liabilities (see Note 2(d)), and to re-allocate \$263,315 of transaction costs from Share Capital to Transaction Costs on the Statement of Loss and Comprehensive Loss.

(b) Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments. These condensed consolidated interim financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of \$1,096,550 and had a negative operating cash flow of \$2,436,227 for the nine month period ended September 30, 2018, and has accumulated \$33,632,554 of losses as at September 30, 2018. As a result, there is a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CDN\$”), the Company's functional currency. The functional currency of the Company’s wholly owned subsidiary is US dollars and has been translated to CDN\$ using the closing rate, the spot exchange rate or the annual average exchange rate.

(d) Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. There have been no material revisions to the nature and amount of changes in

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estimates of amounts reported in the 2017 annual consolidated financial statements, however, due to the time required and the cost of building individual binomial models to value each warrant issuance and transaction, quarterly financial statements are prepared with derivative values estimated using the Black-Scholes model as a proxy for binomial models. Annual statements are prepared with binomial models and adjusted accordingly. The 2017 comparable interim results have been restated to reflect the audit adjustments made during the 2017 annual audit, arising from the difference between the valuation estimates using the Black-Scholes model and the Binomial models. These valuation adjustments, related to the March, 2017 Private Placement, warrant exercises and Debenture retirements, resulted in a net increase to Share Capital of \$134,919, an increase in the gain due to repayment of debentures in the March 21, 2017 Shares for Debt Private Placement of \$76,621, and a net reduction in the Derivative Liability balance of \$211,540.

3. Amounts receivable

	September 30, 2018	December 31, 2017
Trade accounts receivable	62,559	-
Goods and services taxes receivable	60,750	99,809
Total	\$ 123,310	\$ 99,809

4. Accounts payable

	September 30, 2018	December 31, 2017
Trade and other payables	\$ 729,066	\$ 678,134
Accrued liabilities	455,334	474,232
Total	\$ 1,184,400	\$ 1,152,366

Accrued liabilities include \$387,291 (December 31, 2017 - \$364,620) of accrued but unpaid compensation payable to the Company's CEO, President and CFO.

5. Property and equipment

<i>Cost:</i>	
Balance December 31, 2016	\$ 244,508
Additions	39,047
Disposals	(87,936)
Balance, December 31, 2017	195,619
Additions	25,772
Disposals	(19,869)
Balance, September 30, 2018	\$ 201,522
<i>Accumulated depreciation:</i>	
Balance, December 31, 2016	\$ (220,350)
Depreciation	(12,714)
Disposals	87,360
Balance, December 31, 2017	(145,704)
Depreciation	(20,497)
Disposals	19,870
Balance, September 30, 2018	\$ (146,331)
Net carrying amounts:	
December 31, 2017	\$ 49,915
September 30, 2018	\$ 55,191

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6. Debentures payable

As at December 31, 2017 the debentures payable were fully paid out. The changes in the debenture balances during the nine months ended September 30, 2018 and year ended December 31, 2017 consist of:

Balance, December 31, 2016	\$ 597,122
Debentures repaid in cash, (b)	(91,992)
Debentures settled in shares, (b)	(423,753)
Conversion of convertible debentures into shares, (c)	(95,284)
Accretion	13,907
Balance, December 31, 2017	\$ -
	-
Balance, September 30, 2018	\$ -

7. Derivative liabilities and warrants

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. All warrants issued prior to September 2018 have been treated as derivative financial liabilities as the exercise price of these warrants may be adjusted if the Company issues common shares at less than 95% of the quoted market price. The fair value movement during the period was recognized in profit or loss (however, warrants issued to agents and brokers are classified as share based payments and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The Company also issues convertible debentures and the conversion features were considered a derivative liability and measured in accordance with the above. The Company uses the Black-Scholes model or a Binomial model to determine the fair value of the Derivative Liabilities at inception and at each period end.

Warrants issued in the Private Placement in September, 2018 are not treated as derivative financial liabilities as the exercise price of these warrants may not be adjusted. Therefore, the fair value of the warrants on issuance is recorded in Contributed Surplus, rather than Derivative Liabilities, and is not adjusted to fair value at each balance sheet date.

The following table summarizes the changes in Derivative Liabilities during the nine months ended September 30, 2018 and the year ended December 31, 2017:

Balance, December 31, 2016	\$742,808
Warrants issued with sale of shares	3,359,020
Warrants issued with Shares for Debt transaction	504,000
Conversion of convertible debentures	(304,105)
Warrant exercises	(1,918,455)
Repayment of convertible debentures with Shares for Debt	(214,189)
Repayment of convertible debentures with cash	(27,409)
Derivative revaluation adjustment	42,161
Balance, December 31, 2017	\$2,183,831
Warrant exercises (Note 8)	(254,137)
Warrant expiries	(9,400)
Derivative revaluation adjustment	(1,787,931)
Balance, September 30, 2018	\$132,364

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Warrant Transactions – 2018

Unit Private Placement

On September 4, 2018 the Company closed the first tranche of a non-brokered private placement (the “Private Placement”) of 2,380,952 units (“Units”) at \$0.21 per Unit for total gross cash proceeds of \$500,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (“Warrant”), with each Warrant entitling the holder thereof to acquire one common share at a price of \$0.34 per common share for a period of 2 years after the issuance of the Warrant.

On September 13, 2018 the Company closed the second and final tranche of the Private Placement with the issuance of 2,435,714 Units for gross proceeds of \$511,499.94 (Note 8). No Finder’s fees were paid. An Officer and Director of the Company subscribed for 1,500,000 Units.

The Warrants issued were initially valued on the grant dates at \$179,546 using a Binomial model with the assumptions outlined below and were recorded in Contributed Surplus.

	Warrants
Exercise price	\$0.34
Time to maturity	2
Risk-free rate	2.10%
Volatility	98.9%
Dividend rate	nil

Warrant Exercises

During the first nine months of 2018, the Company’s warrant holders elected to exercise a total of 2,206,667 warrants at an exercise price of \$0.30 per common share. The proceeds to the Company from these warrant exercises totalled \$662,000 in cash. Warrant exercises are accounted for as a reduction to the Derivative Liability of the warrant value, revalued at the date of exercise. The common shares issued are recorded as the total of the cash exercise price plus the Warrant value of \$254,137, which was determined using a Black-Scholes pricing model (see Note 2(d)) at assumptions which varied with each warrant exercise.

Warrants outstanding

Changes in the number of warrants outstanding during the nine months ended September 30, 2018 and the year ended December 31, 2017 were as follows:

	September 30, 2018		December 31, 2017	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Balance, January 1	19,321,766	\$0.44	13,171,403	\$0.30
Granted	2,408,333	\$0.34	12,354,493	\$0.50
Expired	(1,309,948)	\$0.40	(300,000)	\$1.10
Exercised	(2,206,667)	\$0.30	(5,904,130)	\$0.21
Balance, period end	18,213,484	\$0.45	19,321,766	\$0.44

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The following table reflects warrants outstanding, all of which are exercisable, at September 30, 2018:

Exercise Price	Quantity	Remaining Avg Contractual Life
\$0.15	165,000	0.06
\$0.30	1,150,000	0.21
\$0.34	2,408,333	1.94
\$0.40	2,135,658	0.76
\$0.50	12,354,493	0.48
\$0.45	18,213,484	0.68

The fair value of the derivative warrants and conversion features at the dates of the statement of financial position of re-measurement for September 30, 2018 and December 31, 2017 were valued using either a Binomial model or a Black-Scholes model with the following weighted average assumptions:

	September 30, 2018	December 31, 2017
Time to maturity	0.44	1.15
Risk-free rate	2.21%	1.66%
Volatility	84.31%	111.14%
Dividend rate	nil	nil

8. Share capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

Share transaction – nine months ended September 30, 2018

Unit Private Placement

On September 4, 2018 the Company closed the first tranche of a non-brokered private placement (the "Private Placement") of 2,380,952 units ("Units") at \$0.21 per Unit for total gross cash proceeds of \$500,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant ("Warrant"), with each Warrant entitling the holder thereof to acquire one common share at a price of \$0.34 per common share for a period of 2 years after the issuance of the Warrant.

On September 13, 2018 the Company closed the second and final tranche of the Private Placement with the issuance of 2,435,714 Units for gross proceeds of \$511,499.94.

An Officer and Director of the Company subscribed for 1,500,000 Units in the Private Placement. No Finder's Fees were paid, and the common shares and the Warrants are subject to a hold period of four months plus one day from the date of issuance.

The Warrants were initially valued on the grant date at \$179,546, with the assumptions disclosed in Note 7 and were recorded as Contributed Surplus.

Warrant Exercises

During the first nine months of 2018, the Company issued a total of 2,206,667 common shares due to the exercise of warrants at an exercise price of \$0.30 per common share for total proceeds to the Company of \$662,000 in cash. The common shares issued due to these warrant exercises are free-trading. The common shares issued are recorded as the total of the cash proceeds plus the Warrant values of \$254,137, for a total increase to Share Capital of \$916,137.

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Stock Option Exercises

In the first nine months of 2018, 450,000 shares were issued as a result of the exercise of stock options for proceeds of \$116,500. Common shares issued were recorded at a value of \$189,294.

Shares for Debt

On April 5, 2018, the Company issued to the CEO 375,000 common shares of the Company in payment of outstanding back pay accrued from 2013 through 2016, of \$120,000. The shares were issued at a deemed price of \$0.32 per common share in a Shares for Debt transaction.

Also on April 5, 2018, the Company issued 28,125 common shares to a consultant in payment of \$9,000 of consulting fees at a deemed price of \$0.32 and the Company issued 96,774 shares in payment of a \$30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The deemed price of these shares was \$0.31.

On June 5, 2018, the Company issued 51,724 common shares to a consultant in payment of \$15,000 of consulting fees at a deemed price of \$0.29.

On July 3, 2018, the Company issued 96,744 common shares in payment of a \$30,000 quarterly work fee due to financial consultants at a deemed price of \$0.31.

Weighted average number of shares

The weighted average number of shares for the nine month period ended September 30, 2018 was 54,130,390 (September 30, 2017 – 45,735,943). The Company has not adjusted its weighted average number of shares outstanding for the purpose of calculating the diluted loss per share as any adjustment related to stock options or warrants would be anti-dilutive.

Nature and purpose of Contributed Surplus

The reserves recorded in equity on the Company's statement of financial position include 'Contributed Surplus' and 'Deficit'. Contributed Surplus is used to recognize the value of stock option grants, DSUs and finders share purchase warrants prior to exercise. Deficit is used to record the Company's change in deficit from earnings from year to year.

Stock Option Plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to Directors, Officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance in any one period to any one optionee shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allotted to each Director, Officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

Stock option transactions – nine months ended September 30, 2018

Stock option grants

Effective January 1, 2018, the new Director of North American sales was granted 50,000 stock options of the Company, with an exercise price of \$0.25, a term of 5 years, and vesting quarterly over 3 years.

On March 20, 2018, the Board of Directors granted 120,000 stock options to employees and 50,000 options to the Chair of the Company's new Business Advisory Committee. The options have an exercise price of \$0.32, a term of 5 years and vest quarterly over 3 years.

On June 22, 2018 the Board of Directors granted a total of 1,185,000 stock options, of which 325,000 options were granted to three Officers of the Company, 235,000 were granted to employees, 300,000 stock options were granted to four independent Directors, and the remaining 325,000 options were granted to consultants. All options are exercisable at \$0.31 per share. Stock options granted to employees and Officers have a term of five years and vest quarterly over three years.

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Directors' options also have a term of five years and vest quarterly over one year. Of the consultants' options, 300,000 have a term of one year and vest immediately, while 25,000 have a term of three years and vest quarterly over one year.

Stock option exercises

The Company issued 450,000 common shares as a result of the exercise of stock options for proceeds of \$116,500. The value of the Share Capital recognized is the total of the cash proceeds from the exercise and the expense previously recognized for the issuance of the stock options, resulting in a total increase to Share Capital of \$189,294.

Stock options outstanding

Changes in the number of options outstanding during the nine months ended September 30, 2018 and the year ended December 31, 2017 were as follows:

	9 months ended September 30, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, January 1	3,389,400	\$0.38	1,106,400	\$0.73
Granted	1,405,000	\$0.31	3,015,000	\$0.30
Exercised	(450,000)	\$0.26	(425,000)	\$0.16
Cancelled /expired	(524,000)	\$0.33	(307,000)	\$1.21
Balance, Period end	3,820,400	\$0.37	3,389,400	\$0.38

The following table reflects stock options outstanding and exercisable at September 30, 2018:

Grant Price Range	Options Outstanding			Options Exercisable		
	# of options	weighted avg remaining life	weighted avg exercise price	# of options	weighted avg remaining life	weighted avg exercise price
≤ \$0.25	195,000	5.49	\$0.22	105,000	6.59	\$0.20
≤ \$0.32	3,260,400	3.50	\$0.32	1,882,475	2.87	\$0.32
\$0.33 - \$1.25	365,000	0.98	\$0.98	365,000	0.98	\$0.98
	3,820,400	3.37	\$0.37	2,352,475	2.74	\$0.41

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes model with the following weighted average assumptions:

	September 30, 2018	September 30, 2017
Expected option life	4.12	4.22
Risk-free rate	1.63%	1.35%
Expected forfeiture rate	6.00%	6.00%
Expected volatility	149.21%	169.76%
Dividend yield	nil	nil

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

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The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise. The forfeiture rate is an estimate based on historical evidence and future expectations. The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

9. Personnel costs

Personnel costs for the nine month periods ended September 30, 2018 and 2017 were as follows:

	September 30, 2018	September 30, 2017
Salaries, fees and short-term benefits	\$1,277,069	\$ 547,348
Share-based compensation	331,640	388,185
Total	\$1,608,709	\$ 935,533

10. Contractual commitments

The Company has the following contractual obligations as of September 30, 2018:

	2018	2019	2020	2021-2027	Total
Premises lease	\$11,317	\$45,575	\$46,799	\$84,727	\$188,418
University of Washington Technology License					
Minimum Annual Royalty	-	6,439	6,439	45,070	57,948
Total contractual commitments for the period	\$11,317	\$52,014	\$53,238	\$129,797	\$246,366

The annual Royalty due to the University of Washington under the Technology License Agreement is the higher of 1.5% of gross sales or the Minimum Annual Royalty of US\$5,000.

In October, 2017, the Company moved into new leased office premises at 2 Sheppard Ave East, Suite 605, Toronto, Ontario. The lease is a 5 year lease with annual increases in base rent, which is expensed evenly over the lease period for financial statement purposes.

11. Related parties

The key management personnel of the Company are the Directors, the Chief Executive Officer, the President, and the Chief Financial Officer. Compensation for key management personnel of the Company for the nine month periods ended September 30, 2018 and 2017 was as follows:

	2018	2017
Salaries, fees and short-term benefits	\$ 467,756	\$ 317,315
Share-based compensation	109,151	178,275
Directors' fees	78,251	46,632
Deferred Share Units	-	80,638
Debenture interest	-	2,630
Total key management personnel expenses	\$ 655,157	\$ 625,490

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Officers may participate in the Company's health plan. Directors receive annual and meeting fees for their services. As at September 30, 2018 the key management personnel control 3.56% of the outstanding voting shares of the Company (8.29% on a fully diluted basis).

On June 22, 2018 the Board of Directors granted 325,000 stock options to three Officers of the Company at an exercise price of \$0.31 per common share, and a term of five years, vesting quarterly over three years. The Board also granted the four independent Directors 75,000 stock options each at an exercise price of \$0.31, for a term of five years, vesting quarterly over one year.

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An Officer and Director of the Company subscribed for 1,500,000 Units at \$0.21 per Unit in the Private Placement (Note 8) which closed on September 13, 2018. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (“Warrant”), with each Warrant entitling the holder thereof to acquire one common share at a price of \$0.34 per common share for a period of 2 years after the issuance of the Warrant.

12. Financial instruments

The Company’s financial instruments consist of cash and equivalents, accounts payables and accrued liabilities, debentures payable and derivative liabilities. Cash and equivalents are classified as loans and receivables, which are measured at fair value. Accounts payable and accrued liabilities and debentures payable are classified as other financial liabilities, which are also measured at amortized cost. Derivative financial liabilities are measured at fair value.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (ie, as prices) or indirectly (ie. derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company measures its derivative liabilities at fair value through profit or loss and has determined this valuation to be a level 2 valuation as it is based on inputs that are observable.

The Company’s financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s cash and equivalents, and trade accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within operating expenses. When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Within the accounts receivable, all amounts receivable are considered to be collectible. The carrying amount of financial assets represents the maximum credit exposure. The Accounts Receivable balance at in 2018 consists of a combination of trade payables and refundable sales tax due from the Federal Government of Canada.

The maximum exposure to credit risk as at September 30, 2018 and December 31, 2017 was:

	September 30, 2018	December 31, 2017
Cash and equivalents	\$ 651,039	\$ 1,358,923
Trade accounts receivable	62,559	-
Total	\$ 713,598	\$ 1,358,923

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Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financial activities. The majority of the Company's financial liabilities are due within 90 days. The Company has no long-term financial liabilities.

The following table consists of accounts payable and accrued liabilities and sets out contractual maturities (representing undiscounted contractual cash flows) of the financial liabilities outstanding at September 30, 2018:

	2018 Q4	2019	2020	2021-2022	Total
Accounts payable & accrued liabilities	1,168,550	6,123	2,508	7,219	1,184,400

The contractual maturities of commitments at period end are included in Note 10.

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

(c) Foreign currency risk:

Year to date to September 30, 2018, approximately 75% of the of the Company's total expenditures were denominated in CDN \$, the remaining 25% in US\$. Inventory purchases are primarily in US\$. Year to date equipment sales are denominated in US\$ (CDN\$ in 2017). The Company's capital and debt transactions are denominated in Canadian dollars and the Company now maintains most of its cash and equivalents in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates.

With all other variables held constant, a 10% point increase in the value of the U.S. dollar relative to the Canadian dollar would have increased the non-operating loss due to foreign currency differences by approximately \$8,600 for the nine months ended September 30, 2018 (2017 - \$10,720). There would be an equal and opposite impact on the net loss with a 10% point decrease in the value of the U.S. dollar relative to the CDN\$.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings. The Company manages this risk by pricing sales in CDN\$. The Company has not entered into any forward foreign exchange contracts.

The Company was exposed to currency risk as at September 30, 2018 and December 31, 2017 as follows:

	2018 US\$	2017 US\$
Cash and equivalents	\$ 123,187	\$ 145,231
Accounts receivable	45,000	-
Accounts payable and accrued liabilities	498,404	521,472
Total	\$ 666,591	\$ 666,703

13. Subsequent events

On November 5, 2018 the Company issued 300,000 stock options with an exercise price of \$0.15, maturing on June 22, 2019, to two consultants in replacement of 300,000 cancelled options. The Company also issued 15,000 stock options to a new employee at an exercise price of \$0.17 per share, with a term of five years and vesting quarterly over three years.

On November 29, 2018 the Company received approval from the TSX Venture Exchange to amend the expiry date of 1,150,000 common share purchase warrants with an exercise price of \$0.30 issued by the Company in connection with a private placement on December 16, 2016. The expiry date is to be amended from December 16, 2018 to December 16, 2020 with all other terms to remain the same.