



**VENTRIPOINT DIAGNOSTICS LTD.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2020  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of Ventripoint Diagnostics Ltd. ("Diagnostics" or the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

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# Ventripoint Diagnostics Ltd.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at September 30, 2020	As at December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 295,919	\$ 13,761
Accounts receivable (note 3)	38,497	67,655
Inventory	53,544	30,828
Prepaid expenses	23,912	63,784
<b>Total current assets</b>	<b>411,872</b>	<b>176,028</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	29,186	41,109
Right-of-use leased asset (note 10)	70,650	97,143
<b>Total assets</b>	<b>\$ 511,708</b>	<b>\$ 314,280</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	\$ 1,782,924	\$ 1,632,679
Demand loan and debenture (note 6)	30,000	-
Warrant liabilities (note 7)	645	12,797
Current portion of leases (note 10)	41,306	37,145
Interest payable on debentures (note 11)	19,504	13,065
Promissory notes (note 8)	-	220,000
<b>Total current liabilities</b>	<b>1,874,379</b>	<b>1,915,686</b>
<b>Non-current liabilities</b>		
CEBA Loan (note 12)	40,000	-
Leases (note 10)	43,700	75,093
Convertible debentures (note 11)	826,621	792,937
Derivative liabilities (note 12)	370,077	-
<b>Total liabilities</b>	<b>3,154,777</b>	<b>2,783,716</b>
<b>Shareholders' deficit</b>		
Share capital (note 13)	30,170,634	29,480,435
Contributed surplus (notes 14 and 15)	6,853,515	5,997,379
Deficit	(39,667,218)	(37,947,250)
<b>Total deficit</b>	<b>(2,643,069)</b>	<b>(2,469,436)</b>
<b>Total deficit and liabilities</b>	<b>\$ 511,708</b>	<b>\$ 314,280</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Commitments (note 20)

Subsequent events (note 21)

**Approved on behalf of the Board:**

(Signed) "Dr. George Adams" Director

(Signed) "Robert Hodgkinson" Director

## Ventripoint Diagnostics Ltd.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Revenue</b>	\$ 6,017	\$ -	\$ 6,017	\$ 49,523
<b>Cost of Sales</b>	(3,039)	(1,651)	(3,039)	(32,582)
<b>Gross Margin</b>	2,978	(1,651)	2,978	16,941
<b>Operating expenses</b>				
General and administrative	499,743	397,636	977,718	1,391,123
Research and development	66,130	251,525	181,897	849,443
Sales and marketing	8,618	123,610	86,204	465,172
<b>Total operating expenses</b>	574,491	772,771	1,245,819	2,705,738
<b>Loss from operations</b>	(571,513)	(774,422)	(1,242,841)	(2,688,797)
Finance costs	(78,781)	(54,268)	(508,585)	(175,019)
Warrant liabilities revaluation adjustment (note 7)	1,130	274,857	(55,648)	48,640
Other income (note 16)	57,880	16,840	111,396	95,795
Foreign currency differences	(16,846)	(6,045)	(24,290)	16,092
<b>Total loss and comprehensive loss for the period</b>	\$ (608,130)	\$ (543,038)	\$ (1,719,968)	\$ (2,703,289)
<b>Basic and diluted net loss per share (note 18)</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>	69,981,893	63,131,738	69,790,930	60,678,463

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

## Ventripoint Diagnostics Ltd.

### Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
<b>Operating activities</b>		
Net loss for the period	\$ (1,719,968)	\$ (2,703,289)
Adjustments for:		
Depreciation and amortization	15,686	22,187
Depreciation of right of use asset	26,493	26,494
Share-based compensation	237,136	186,818
Derivative liabilities revaluation adjustment	55,648	(48,640)
Consulting fees & accrued salaries settled with shares	-	30,000
Accretion of debentures payable	410,935	98,501
Interest on leases	8,251	72,676
Foreign exchange gain (loss)	-	(16,092)
Changes in non-cash working capital items:		
Amounts receivable	29,158	21,602
Prepaid expenses	39,872	80,944
Inventory	(22,716)	37,095
Amounts payable and other liabilities	150,245	804,334
Deferred revenue	-	(9,823)
Interest payable	87,411	-
<b>Net cash used in operating activities</b>	<b>(681,849)</b>	<b>(1,397,193)</b>
<b>Investing activities</b>		
Additions to property and equipment	(3,763)	(14,849)
<b>Net cash used in investing activities</b>	<b>(3,763)</b>	<b>(14,849)</b>
<b>Financing activities</b>		
Demand loan and debenture	30,000	-
Cash paid for share issuance costs	-	134,500
Issuance of convertible debentures	1,000,000	1,511,000
Cash paid for debenture issuance costs	(66,747)	-
Lease payments	(35,483)	(34,549)
CEBA Loan	40,000	-
Interest paid in cash on convertible debentures	-	(26,615)
Convertible debenture issuance costs paid in cash	-	(114,468)
<b>Net cash provided by financing activities</b>	<b>967,770</b>	<b>1,469,868</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>-</b>	<b>14,908</b>
<b>Net change in cash and cash equivalents</b>	<b>282,158</b>	<b>72,734</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>13,761</b>	<b>66,566</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 295,919</b>	<b>\$ 139,300</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

## Ventripoint Diagnostics Ltd.

### Condensed Interim Consolidated Statements of Changes in Deficit

(Expressed in Canadian Dollars)

Unaudited

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
<b>Balance, December 31, 2018</b>	<b>60,125,238</b>	<b>\$ 28,623,802</b>	<b>\$ 5,022,953</b>	<b>\$ (34,620,018)</b>	<b>\$ (973,263)</b>
Warrants issued with sale of debenture	-	-	562,092	-	562,092
Finders warrants issued in connection with debenture	-	-	30,266	-	30,266
Stock options exercised	900,000	174,497	(39,997)	-	134,500
Conversion of convertible debentures	2,683,869	253,681	-	-	253,681
Liabilities settled with shares	331,333	52,007	-	-	52,007
Conversion feature of convertible debentures	-	13,605	-	-	13,605
Issuance cost in connection with sale of debenture	-	(55,144)	-	-	(55,144)
Adoption of IFRS 16 - Leases	-	-	-	(4,967)	(4,967)
Share-based compensation	-	-	186,818	-	186,818
Net loss for the period	-	-	-	(2,703,289)	(2,703,289)
<b>Balance, September 30, 2019</b>	<b>64,040,440</b>	<b>\$ 29,062,448</b>	<b>\$ 5,762,132</b>	<b>\$ (37,328,274)</b>	<b>\$ (2,503,694)</b>
<b>Balance, December 31, 2019</b>	<b>69,486,747</b>	<b>\$ 29,480,435</b>	<b>\$ 5,997,379</b>	<b>\$ (37,947,250)</b>	<b>\$ (2,469,436)</b>
Warrants issued with sale of debenture	-	-	366,600	-	366,600
Warrants issued with amendment of debenture	-	-	178,500	-	178,500
Finders warrants issued in connection with debenture	-	-	6,100	-	6,100
Conversion of convertible debentures	10,959,998	609,227	-	-	609,227
Liabilities settled with shares	1,052,940	80,972	-	-	80,972
Amendment of warrants	-	-	67,800	-	67,800
Share-based compensation	-	-	237,136	-	237,136
Net loss for the period	-	-	-	(1,719,968)	(1,719,968)
<b>Balance, September 30, 2020</b>	<b>81,499,685</b>	<b>\$ 30,170,634</b>	<b>\$ 6,853,515</b>	<b>\$ (39,667,218)</b>	<b>\$ (2,643,069)</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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# Ventripoint Diagnostics Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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### 1. Nature of operations and going concern

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" and on the OTCQB in the U.S. with the trading symbol "VPTDF". 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 Companies' 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.

In March 2020 the World Health Organization declared coronavirus COVID19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, 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 \$1,719,968 and had a negative cash flow from operating activities of \$681,849 for the nine months ended September 30, 2020, and has accumulated \$39,667,218 of losses as at September 30, 2020. 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 unaudited condensed interim 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.

### 2. Significant accounting policies

#### *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS's issued and outstanding as of November 30, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

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# Ventripoint Diagnostics Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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### 2. Significant accounting policies (continued)

#### Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of Diagnostics and Ventripoint, its wholly-owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

#### Functional and presentation currency

These unaudited condensed interim 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 ("US\$") and has been translated to CDN\$ using the closing rate, the spot exchange rate or the annual average exchange rate.

#### Critical accounting judgements and estimates

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS 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.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements includes the assumptions and model used to estimate share-based compensation (note 14) and the valuation of warrants and other derivative liabilities (note 7), the capitalization and expensing of development costs, the impairment of assets which requires judgement in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the allocation of revenues between amounts recognized upon installation and amounts deferred and recognized over the initial warranty period, the designation of the Canadian dollar as the Company's functional currency, and factors considered in inventory obsolescence.

#### New accounting standards adopted

##### *IFRS 3, Business Combinations ("IFRS 3")*

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

##### *IAS 1, Presentation of Financial Statements ("IAS 1")*

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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#### 2. Significant accounting policies (continued)

New accounting standards adopted

*IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

#### New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 01, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

#### 3. Accounts receivable

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	As at September 30, 2020	As at December 31, 2019
Goods and services taxes receivable	38,497	67,655
<b>Total</b>	<b>38,497</b>	<b>67,655</b>

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#### 4. Property and equipment

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Cost	Total
<b>Balance, December 31, 2018</b>	<b>\$ 179,554</b>
Additions	17,098
Disposals	(36,563)
Balance, December 31, 2019	160,089
Additions	3,763
<b>Balance, September 30, 2020</b>	<b>\$ 163,852</b>

  

Accumulated Depreciation	Total
<b>Balance, December 31, 2018</b>	<b>\$ 130,550</b>
Depreciation for the year	24,993
Disposals	(36,563)
Balance, December 31, 2019	\$ 118,980
Depreciation for the period	15,686
<b>Balance, September 30, 2020</b>	<b>\$ 134,666</b>

  

Carrying Value	Total
Balance, December 31, 2019	\$ 41,109
<b>Balance, September 30, 2020</b>	<b>\$ 29,186</b>

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

#### 5. Accounts payable and accrued liabilities

	As at September 30, 2020	As at December 31, 2019
Trade and other payables	\$ 1,144,645	\$ 1,196,048
Accrued management salaries	565,121	429,814
Accrued liabilities	73,158	6,817
<b>Total</b>	<b>\$ 1,782,924</b>	<b>\$ 1,632,679</b>

#### 6. Demand loan and debenture

In January 2020, the Company announced that it intends to complete a non-brokered private placement with gross proceeds of up to \$1,220,000 (the "Offering") of debenture units of the Corporation at \$1,000 per Unit ("Unit"). Each Unit will be comprised of: (i) \$1,000 principal amount of convertible secured debentures ("Debentures"), which shall mature two years from the date of issuance; and (ii) 12,000 common share purchase warrants ("Warrants") with each Warrant exercisable for one common share of the Corporation ("Common Share") at an exercise price of \$0.10 per Common Share for a period of 24 months. The Debentures will bear simple interest at an annual rate of 6.5% for the first year and 10% in the second year, calculated on the principal amount, with any accrued but unpaid interest under the Debentures due and payable quarterly in either cash or Common Shares (at the option of the Corporation), with the number of Common Shares being determined by using the market price on the date of settlement.

In February 2020, the Company issued \$725,000 of convertible non-secured debentures which mature on February 9, 2022, and issued a total of 8,700,000 common share purchase warrants with an exercise price of \$0.10, exercisable until February 6, 2022 (see note 11(b)). Subsequently, the Company received additional proceeds for the debenture, giving rise to a short-term demand loan which will be converted to the secured debentures on closing date.

#### 7. Warrant liability

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. Certain warrants issued before 2020 have been treated as derivative financial liabilities as the exercise price of the 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 equity and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The fair value of warrants issued in 2019 and 2020 is recorded to contributed surplus (note 15).

The following table summarizes the changes in the warrant liabilities for the periods ending September 30, 2020 and December 31, 2019:

Details related to the warrant liability are summarized below.

	As at September 30, 2020	As at December 31, 2019
<b>Opening balance</b>	<b>\$ 12,797</b>	<b>\$ 133,619</b>
Fair value adjustment at the report date	(12,152)	(120,822)
<b>Closing balance</b>	<b>\$ 645</b>	<b>\$ 12,797</b>

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

#### 7. Warrant liability (continued)

- i) On March 8, 2019, the Company received final approval from the TSX Venture Exchange to amend the expiry date of 10,496,938 common share purchase warrants with an exercise price of \$0.50 issued by the Company in connection with a Private Placement financing on March 23, 2017. The expiry date was amended from March 23, 2019 to March 23, 2021 with all other terms to remain the same.

For financial statement purposes the amendment of the Warrants is treated as an extinguishment and issuance of new extended Warrants and is recognized in the profit and loss in the Derivative Liabilities Revaluation Adjustment and as an increase to Derivative Liabilities of \$459,766. The new Warrants were valued using a Black-Scholes model with assumptions as follows: expected dividend yield of 0%; share price of \$0.50; expected volatility of 90.81% using the historical price history of the Company; risk-free interest rate of 1.82%; and an expected average life of 2.04 years.

	As at September 30, 2020	As at December 31, 2019
Opening balance, outstanding warrants	11,646,938	15,186,311
Warrants expired	-	(3,539,373)
Closing balance, outstanding warrants	11,646,938	11,646,938

A summary of the assumptions used in the valuation model for re-measuring the warrants at end of the period is set out below.

	As at September 30, 2020	As at December 31, 2019
Common share market price	\$ 0.075	\$ 0.075
Weighted average risk free interest rate	0.16 %	1.71 %
Estimated common share weighted average price volatility	85.05 %	84.54 %
Expected dividend yield	nil %	nil %
Estimated weighted average life in years	0.45	1.20

The following table reflects the warrant liability warrants outstanding as of September 30, 2020:

	Number of warrants outstanding	Exercise price (\$)	Expiry date
	1,150,000	0.30	December 16, 2020
	10,496,938	0.50	March 23, 2021
	11,646,938	0.48	

#### 8. Promissory note

During the period ended December 31, 2019, the Company received \$220,000 in advances. During the period ended September 30, 2020, the proceeds were converted to the debentures on February 2020.

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

#### 9. CEBA Loan

On April 17, 2020, the Company received \$40,000 in Canada Emergency Business Account (CEBA) loan funded by the Federal Government. The terms of the loan is: Interest rate is 0% per year, but subject to the interest rate disclosed below in the loan extension section; loan repayment in whole or in part on or after July 1, 2020; \$10,000 (25%) of the \$40,000 loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022.

Loan extension terms are: If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan, charging an interest rate of 5%; Interest payments are due monthly and the outstanding principal balance must be fully repaid no later than December 31, 2025. However, you may repay some or all of the loan at any time.

#### 10. Lease

The Company entered in to a 5 year office lease on October 1, 2017. The Company used its incremental borrowing rate as the discount rate to determine the value of its five year office premises lease. The asset is depreciated on a straight-line basis over the lease term, starting October 1, 2017.

<b>Right-of-use leased asset</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$ 132,468</b>
Amortization	(35,325)
<b>Balance, December 31, 2019</b>	<b>97,143</b>
Amortization	(26,493)
<b>Balance, September 30, 2020</b>	<b>\$ 70,650</b>

<b>Lease liability</b>	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$ 144,413</b>
Interest expense	14,201
Lease payments	(46,376)
<b>Balance, December 31, 2019</b>	<b>112,238</b>
Interest expense	8,251
Lease payments	(35,483)
<b>Balance, September 30, 2020</b>	<b>\$ 85,006</b>

	<b>As at September 30, 2020</b>
Short-term lease expense	<b>\$ 41,306</b>
Long-term lease expense	<b>43,700</b>
<b>Total lease liability</b>	<b>\$ 85,006</b>

	<b>Under 1 year</b>	<b>Between 1 - 2 years</b>	<b>Between 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Lease liability	<b>\$ 41,306</b>	<b>\$ 43,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,006</b>

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# Ventripoint Diagnostics Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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### 11. Debenture payable

#### a) *Debenture I*

In January 2019, the Company issued \$1,511,000 of convertible non-secured debentures (“Debentures I”) which mature on January 25, 2022, and issued a total of 9,066,000 common share purchase warrants (“Warrants I”) with an exercise price of \$0.175, exercisable until July 25, 2020. The securities issued were subject to a four month hold period which expired on May 26, 2019.

Debentures I bear simple interest at an annual rate of 6.5%, calculated on the principal amount, with any accrued but unpaid interest under Debentures I due and payable quarterly in either cash or common shares (at the option of the Company), except for the first interest payment which shall be paid in cash, with the number of common shares being determined by using the 10 day volume-weighted average price of the common shares on the TSX Venture Exchange on that date that is five days prior to the last trading day of the applicable quarter. Debentures I may be converted by the holder at any time at a price of \$0.155 per common share and the conversion feature of \$nil was recorded in share capital. Debentures I may be redeemed in whole or in part by the Company at any time after May 26, 2019, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

Under the terms of Debentures I, other than in the ordinary course of business, the Company shall not directly or indirectly enter into a loan or borrowing arrangement with a third party lender without the prior written consent of the holders of not less than 51% of the then outstanding aggregate principal amount of the Debentures.

Two directors and officers of the Company purchased \$383,000 of Debentures I under the offering.

Finders acting in connection with this offering received finder’s fees in the amount of 488,160 finder’s warrants. Each finder’s warrant is exercisable for one common share at an exercise price of \$0.175 per common share until July 25, 2020. The finder’s warrants were valued at \$30,000 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

Debentures I were originally valued at the present value of the Debenture I interest and principal repayment cash flows, less transaction costs of \$101,252 for a value of \$957,748. Debentures I are accreted up to the face value of \$1,511,000 over the life of the liability using the effective interest rate method, at an effective rate of 23.9%. Warrants I were valued using the residual method and Finder warrants were valued using Black-Scholes model and recorded as Contributed Surplus (see (note 15)).

On June 10, 2019 and June 26, 2019, \$80,000 and \$73,000 respectively, of Debentures I were converted into 516,129 and 470,967 common shares. The carrying value of the debt at the date of conversion was \$52,649 and \$48,737, respectively, and was recorded as Share Capital. Debentures I value were reduced by the corresponding amounts. On August 13, 2019, \$263,000 of Debentures I were converted into 1,696,774 common shares with a carrying value of \$178,648 and recorded as Share Capital and a reduction to Debentures I balance. An Officer and Director held \$233,000 of Debentures I converted on August 13th and received 1,503,225 of the common shares.

On July 25, 2019 the Company issued 143,833 common shares at a price of \$0.155 per common share in payment of \$22,294 of interest owing on the Convertible Debentures I.

On October 25, 2019 the Company issued 152,031 common shares at a price of \$0.121 per common shares in payment of \$18,396 of interest owing on the Convertible Debentures I.

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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#### 11. Debenture payable (continued)

##### a) *Debenture I (continued)*

During the nine months ended September 30, 2020, the Debenture was amended with the same terms as Debenture II. As a result, the Company treated it as a new convertible Debenture with: a maturity date of February 9, 2022; an annual interest rate of 6.5% for the first year and 10% in the second year; and a conversion feature of \$0.075 for the first year and \$0.10 in the second year.

The conversion feature of a convertible financial instrument is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32 - Financial Instruments: Presentation. One of criteria is that the conversion option exchanges. Since the conversion features of \$0.075 for the first year and \$0.10 in the second year, the fixed for fixed criteria is not met. As such, the conversion feature was classified as derivative financial liabilities instead of an equity instrument. The Company separated the Debenture into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value.

On January 24, 2020, the Company issued 139,197 common shares at a price of \$0.075 per common shares in payment of \$19,940 of interest owing on the Convertible Debentures I.

On September 28, 2020 the Company issued 813,745 common shares at a price of \$0.075 per common shares in payment of \$61,032 of interest owing on the Convertible Debentures I.

On September 28, 2020, \$822,000 of Debentures I were converted into 10,959,998 common shares with a carrying value of \$609,227 and recorded as Share Capital and a reduction to Debentures I balance.

##### b) *Debenture II*

In February 2020, the Company issued \$725,000 of convertible non-secured debentures ("Debentures II") which mature on February 9, 2022, and issued a total of 8,700,000 common share purchase warrants ("Warrants II") with an exercise price of \$0.10, exercisable until February 6, 2022. The Warrants II are subject a hold period that expires on June 9, 2020. Warrants II include an accelerated expiry clause such that the exercise period of the Warrants II will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant II (the "Premium Trading Days"), the closing price of the Company's shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

Debentures II bear interest at an annual rate of of 6.5% for the first year and 10% in the second year, calculated on the principal amount, with any accrued but unpaid interest under the Debentures II due and payable quarterly in either cash or common shares (at the option of the Company). Debentures II may be converted by the holder at any time at price of \$0.075 for the first year and \$0.10 in the second year, and the conversion feature of \$nil was recorded in share capital. Debentures II may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

Two directors and officers of the Company purchased \$300,000 of Debentures under the offering.

Finders acting in connection with this offering received finder's fees in the amount of \$9,800 and an aggregate of 117,600 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of \$0.10 per common share until February 6, 2022. The finder's warrants were valued at \$3,200 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

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Unaudited

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#### 11. Debenture payable (continued)

##### *b) Debenture II (continued)*

Debentures II were originally valued at the present value of the Debenture II interest and principal repayment cash flows, less transaction costs of \$275,363 for a value of \$298,637. Debentures II are accreted up to the face value of \$725,000 over the life of the liability using the effective interest rate method, at an effective rate of 57%. Warrants II and Finder warrants were valued using Black-Scholes model and recorded as Contributed Surplus (see (note 15)).

On September 28, 2020 the Company issued 310,726 common shares at a price of \$0.075 per common shares in payment of \$23,305 of interest owing on the Convertible Debentures II.

##### *c) Debenture III*

In September 2020, the Company issued \$495,000 of convertible non-secured debentures ("Debentures III") which mature on February 9, 2022, and issued a total of 8,700,000 common share purchase warrants ("Warrants III") with an exercise price of \$0.10, exercisable until September 11, 2022. The Warrants III are subject to a hold period that expires on January 12, 2021. Warrants III include an accelerated expiry clause such that the exercise period of the Warrants III will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant III (the "Premium Trading Days"), the closing price of the Company's shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

Debentures III bear interest at an annual rate of 6.5% until February 9, 2021 and 10% thereafter calculated on the principal amount, with any accrued but unpaid interest under the Debentures III due and payable quarterly in either cash or common shares (at the option of the Company). Debentures III may be converted by the holder at any time at price of \$0.075 until February 9, 2021 and \$0.10 thereafter, and the conversion feature of \$nil was recorded in share capital. Debentures III may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

A directors and officers of the Company purchased \$50,000 of Debentures under the offering.

Finders acting in connection with this offering received finder's fees in the amount of \$10,850 and an aggregate of 130,200 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of \$0.10 per common share until February 6, 2022. The finder's warrants were valued at \$2,900 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

Debentures III were originally valued at the present value of the Debenture III interest and principal repayment cash flows, less transaction costs of \$164,083 for a value of \$213,917. Debentures III are accreted up to the face value of \$495,000 over the life of the liability using the effective interest rate method, at an effective rate of 51%. Warrants III and Finder warrants were valued using Black-Scholes model and recorded as Contributed Surplus (see (note 15)).

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

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Unaudited

#### 11. Debenture payable (continued)

The following table summarizes the debt component of the debenture.

	Debenture I	Debenture II	Debenture III	Total
<b>Balance, December 31, 2018</b>	\$ -	\$ -	\$ -	\$ -
Issuance of debenture	1,511,000	-	-	1,511,000
Less transaction cost	(101,253)	-	-	(101,253)
Less fair value of warrants	(452,000)	-	-	(452,000)
Less conversion of debt	(280,034)	-	-	(280,034)
Less interest paid in cash	(25,833)	-	-	(25,833)
Less interest settled in shares	(40,690)	-	-	(40,690)
Less accrued interest	(13,065)	-	-	(13,065)
Accretion expense	194,812	-	-	194,812
<b>As at December 31, 2019</b>	<b>\$ 792,937</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 792,937</b>
Issuance of debenture	-	725,000	495,000	1,220,000
Less fair value of conversion feature	(228,000)	(151,000)	(117,000)	(496,000)
Less transaction cost	-	(35,764)	(30,983)	(66,747)
Less fair value of warrants	(178,500)	(239,600)	(133,100)	(551,200)
Less conversion of debt	(609,227)	-	-	(609,227)
Accretion expense	427,342	103,829	5,687	536,858
<b>Balance, September 30, 2020</b>	<b>\$ 204,552</b>	<b>\$ 402,465</b>	<b>\$ 219,604</b>	<b>\$ 826,621</b>

#### 12. Derivative financial liabilities

The following table summarizes the derivative financial liabilities (note 11):

	Debenture I	Debenture II	Debenture III	Total
<b>Balance, December 31, 2019</b>	\$ -	\$ -	\$ -	\$ -
Derivative financial liabilities on initial	228,000	151,000	117,000	496,000
Fair value adjustment	(73,921)	(48,957)	(3,045)	(125,923)
<b>Balance, September 30, 2020</b>	<b>\$ 154,079</b>	<b>\$ 102,043</b>	<b>\$ 113,955</b>	<b>\$ 370,077</b>

#### Components of derivative financial liabilities:

Long term	\$ 154,079	\$ 102,043	\$ 113,955	\$ 370,077
<b>Total Balance</b>	<b>\$ 154,079</b>	<b>\$ 102,043</b>	<b>\$ 113,955</b>	<b>\$ 370,077</b>

#### 13. Share capital

##### a) Authorized 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.

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

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Unaudited

#### 13. Share capital (continued)

##### b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2018</b>	<b>60,125,238</b>	<b>\$ 28,623,802</b>
Stock options exercised	900,000	174,497
Conversion of convertible debentures (note 11)	2,683,869	253,681
Liabilities settled with shares (i)	331,333	52,007
Issuance cost in connection with sale of debenture (note 11)	-	(55,144)
Conversion feature issued with sale of debenture (note 11)	-	13,605
Balance, September 30, 2019	64,040,440	\$ 29,062,448
Balance, December 31, 2019	69,486,747	\$ 29,480,435
Liabilities settled with shares (i)	1,052,940	80,972
Conversion feature issued with sale of debenture (note 11)	10,959,998	609,227
<b>Balance, September 30, 2020</b>	<b>81,499,685</b>	<b>\$ 30,170,634</b>

##### i) Liabilities settled with shares

- ◆ On July 25, 2019, the Company issued 143,833 common shares at a price of \$0.153 per common share in payment of \$22,007 of interest owing on the Convertible Debentures (note 11).
- ◆ On July 4, 2019, the Company issued 187,500 shares in payment of a \$30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The price of these shares was \$0.16 per common share.
- ◆ On January 24, 2020, the Company issued 139,197 common shares at a price of \$0.075 per common shares in payment of \$19,940 of interest owing on the Convertible Debentures I (note 11).
- ◆ On September 28, 2020, the Company issued 813,745 common shares at a price of \$0.075 per common shares in payment of \$61,032 of interest owing on the Convertible Debentures I and II (note 11).

#### 14. Stock options

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.

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

Unaudited

#### 14. Stock options (continued)

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2018</b>	<b>3,725,000</b>	<b>\$ 0.34</b>
Granted <sup>(i) (ii) (iii) (iv) (v) (vi)</sup>	1,335,000	0.15
Exercised	(900,000)	0.15
Expired	(1,080,000)	0.29
<b>Balance, September 30, 2019</b>	<b>3,080,000</b>	<b>\$ 0.30</b>
<b>Balance, December 31, 2019</b>	<b>2,649,583</b>	<b>\$ 0.30</b>
Granted <sup>(vii)</sup>	5,225,000	0.10
Expired <sup>(viii)</sup>	(1,884,583)	0.31
<b>Balance, September 30, 2020</b>	<b>5,990,000</b>	<b>\$ 0.12</b>

- i) On February 5, 2019, the Company granted 560,000 common share stock options at an exercise price of \$0.16 per share. Four independent directors, and the Chairman of Ventripoint's Business Advisory Committee, were granted a total of 50,000 options each, with a maturity date of five years, and vesting over one year. An officer of the Company were granted 50,000 options and employees were granted 95,000 options, with a maturity date of five years, vesting quarterly over 3 years. Consultants were granted 215,000 options; 15,000 options have a maturity date of three years and vesting over one year; 150,000 options have a maturity date of five years and vested immediately, 50,000 options have a maturity date of five years, and vesting over one year
- ii) On February 13, 2019, the Company granted 75,000 options at an exercise price of \$0.16 per share to a director and officer with a maturity date of five years and vesting quarterly over 3 years, and 50,000 options at an exercise price of \$0.16 per share to a consultant with a maturity date of five years and vesting over one year.
- iii) On May 13, 2019, the Company granted to a consultant 250,000 options with an exercise price of \$0.15 per share, and to a second consultant 50,000 options with an exercise price of \$0.11 per share. Both options have a term of one year and vested immediately.
- iv) On June 21, 2019 the Company granted to a consultant 100,000 common share options with an exercise price of \$0.15 per share, with a maturity date of one year, and vested immediately.
- v) On July 25, 2019, a consultant was granted 100,000 options with an exercise price of \$0.15 per share, with a maturity date of 6 months, and vested immediately.
- vi) On August 15, 2019, two consultants were granted a total of 150,000 options with an exercise price of \$0.15 per share, with a maturity date of one year, and which vested immediately.

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

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#### 14. Stock options (continued)

vii) On September 28, 2020, the Company granted 5,225,000 common share options with an exercise price of \$0.10 per share as follows:

- ◆ 250,000 to a consultant, with a maturity date of 1 year, and 50,000 vesting immediately, and 200,000 vesting equally over 5 months;
- ◆ 500,000 to consultants, with a maturity date of 2 years, and 350,000 vesting immediately, and 150,000 vesting equally over 5 months;
- ◆ 300,000 to a consultant, with a maturity date of 3 year, and vesting quarterly over 3 years ;
- ◆ 250,000 to an officer and a consultant, with a maturity date of 5 years, and 130,000 vesting immediately, and 120,000 vesting equally over 3 years; and
- ◆ 3,925,000 to directors, an officer, employees and consultants, with a maturity date of 10 years, and 2,305,000 vesting immediately, and 1,620,000 vesting equally over 3 years.

viii) On leaving the Company unvested options expire immediately, vested options expire 90 days later. During the nine months ended September 30, 2020, 1,584,583 vested options expire.

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:

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	September 30, 2020	September 30, 2019
Expected option life	8.17	4.11 years
Risk-free rate	0.48%	1.50%
Expected forfeiture rate	6.00%	6.00%
Expected volatility	98.04%	137.18%
Dividend yield	nil	nil

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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.

- ◆ 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.

## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

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Unaudited

#### 14. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2020:

Grant price range	Weighted average exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options outstanding vested
>\$0.25	0.10	8.03	5,365,000	2,931,250
\$0.26 - \$0.32	0.32	2.08	625,000	562,503
	<b>0.12</b>	<b>7.41</b>	<b>5,990,000</b>	<b>3,493,753</b>

#### 15. Warrants

The following table reflects the continuity of warrants for the nine months ended September 30, 2020 and September 30, 2019:

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2018</b>	<b>2,408,333</b>	<b>\$ 0.340</b>
Issued (i)	9,066,000	0.175
Balance, September 30, 2019	11,474,333	\$ 0.150
Balance, December 31, 2019	16,652,825	\$ 0.200
Issued (ii)(iii)(iv)	23,953,800	0.100
Cancelled (iii)	(11,962,493)	0.310
<b>Balance, September 30, 2020</b>	<b>28,644,132</b>	<b>\$ 0.110</b>

##### i) Convertible Debenture / Private Placement (note 11)

As part of a Private Placement of Convertible Debentures I in January 2019, the Company issued 9,066,000 common share purchase warrants and 488,160 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.175 per common share for a period of 18 months after the issuance of the warrants on January 25, 2019. An Officer and Director of the Company purchased \$233,000 of Convertible Debentures I with 1,398,000 warrants.

The warrants were initially valued on the grant date at \$452,000, and the finder's warrants were valued at \$30,000, both using a Black-Scholes model with the assumptions outlined below.

	January 25, 2019
Share price	\$0.16
Expected option life	1.5 years
Risk-free rate	1.86%
Expected volatility	85.5%
Dividend yield	nil

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

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#### 15. Warrants (continued)

##### ii) *Convertible Debenture II Private Placement (note 11)*

As part of a Private Placement of Convertible Debentures II in February 2020, the Company issued 8,700,000 common share purchase warrants and 117,600 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.10 per common share for a period of 24 months after the issuance of the warrants on February 6, 2022. Directors and Officer of the Company purchased \$300,000 of Convertible Debentures II with 3,600,000 warrants.

The warrants were initially valued on the grant date at \$236,400, and the finder's warrants were valued at \$3,200, both using a Black-Scholes model with the assumptions outlined below.

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	February 6, 2020
Share price	\$0.075
Expected option life	2.0 years
Risk-free rate	1.49%
Expected volatility	81.0%
Dividend yield	nil

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iii) In February 2020, the warrants associated to Debentures I (9,066,000 warrants outstanding) issued on January 25, 2019 were amended ("Amendment") to have the same terms and expiry date as the 8,700,000 warrants issued as part of a Private Placement of Convertible Debentures II in February 2020.

The warrants were valued on the date of Amendment at \$178,500 and \$67,800 both using a Black-Scholes model with the assumptions outlined below.

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	February 6, 2020
Share price	\$0.075
Expected option life	2.0 years
Risk-free rate	1.49%
Expected volatility	81.0%
Dividend yield	nil

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##### iv) *Convertible Debenture III Private Placement (note 11)*

As part of a Private Placement of Convertible Debentures III in September 2020, the Company issued 5,940,000 common share purchase warrants and 130,200 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.10 per common share for a period ending February 6, 2022. A director of the Company purchased \$50,000 of Convertible Debentures III with 600,000 warrants.

The warrants were initially valued on the grant date at \$130,200, and the finder's warrants were valued at \$2,900, both using a Black-Scholes model with the assumptions outlined below.

## Ventripoint Diagnostics Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
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### 15. Warrants (continued)

iv) *Convertible Debenture III Private Placement (note 11) (continued)*

	September 11, 2020
Share price	\$0.075
Expected option life	1.4 years
Risk-free rate	.024%
Expected volatility	83.0%
Dividend yield	nil

The following table reflects the warrants outstanding as of September 30, 2020:

	Number of warrants outstanding	Exercise price (\$)	Expiry date
	3,200	0.175	April 2, 2021
	23,953,800	0.100	February 6, 2022
	4,687,132	0.175	October 2, 2022
	<b>28,644,132</b>	<b>0.110</b>	

### 16. Government Grants and Contributions

Other Income for the nine months ended September 30, 2020 consists of a \$73,093 contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). This funding was complete by the end of July 2020.

Other Income for the three and nine months ended September 30, 2019 consists of a contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) under a Contribution Agreement for partial reimbursement of salary and contractor costs for research and development work on next generation product features. This funding was complete by the end of August, 2019.

### 17. Personnel costs

Personnel for the period ended September 30, 2020 and September 30, 2019 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Salaries, fees and short-term benefits	\$ 129,717	\$ 247,367	\$ 472,998	\$ 949,736
Share-based compensation	237,136	35,692	237,136	186,818
<b>Total personnel cost</b>	<b>\$ 366,853</b>	<b>\$ 283,059</b>	<b>\$ 710,134</b>	<b>\$ 1,136,554</b>

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## Ventripoint Diagnostics Ltd.

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#### 18. Loss per share

For the three and nine months ended September 30, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$608,130 and \$1,719,968, respectively (three and nine months ended September 30, 2019 - \$543,038 and \$2,703,289, respectively) and the weighted average number of common shares outstanding of 69,981,893 and 69,790,930, respectively (three and nine months ended September 30, 2019 - 63,131,738 and 60,678,463, respectively). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

#### 19. Related party transactions

The company defines key management personnel as Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Science Officer.

a) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Salaries, fees and short term benefits	\$ 60,000	\$ 100,899	\$ 190,000	\$ 347,215
Share-based payments	166,846	17,188	172,184	98,313
Directors fees	-	26,751	-	80,924
<b>Total remuneration</b>	<b>\$ 226,846</b>	<b>\$ 144,838</b>	<b>\$ 362,184</b>	<b>\$ 526,452</b>

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Officers also participate in the Company's health plan. Directors receive monthly and meeting fees for their services.

b) Other transactions of directors and key management personnel of the Company was as follows:

- i) On January 25, 2019, two directors of the Company purchased \$383,000 of Convertible Debentures I (Note 11). During the three and nine months ended September 30, 2020, the Company expensed \$2,459 and \$7,320, respectively in interest on the convertible debentures to these directors (three and nine months ended September 30, 2019 - \$3,324 and \$13,964, respectively).
- ii) On February 5, 2019, the Company issued 200,000 stock options at an exercise price of \$0.16 per share to four former independent directors, and the Chairman of Ventripoint's Business Advisory Committee, which have a maturity date of five years, and vesting over one year. An officer of the Company were granted 50,000 options, with a maturity date of five years, vesting quarterly over 3 years.
- iii) On February 13, 2019, the Company granted 75,000 options at an exercise price of \$0.16 per share to a director and officer with a maturity date of five years and vesting quarterly over 3 years.
- iv) During the period ended December 31, 2019, the Company received \$200,000 in advances. During the period ended September 30, 2020, the proceeds were converted to the debentures on February 9, 2020.
- v) In February 2020, two directors of the Company purchased \$300,000 of Convertible Debentures II (Note 11). During the three and nine months ended September 30, 2020, the Company expensed \$4,915 and \$12,662, respectively in interest on the convertible debentures to these directors (three and nine months ended September 30, 2019 - \$nil).

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## Ventripoint Diagnostics Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

Unaudited

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#### 19. Related party transactions (continued)

- b) Other transactions of directors and key management personnel of the Company (continued)
- vi) In September 2020, a director of the Company purchased \$50,000 of Convertible Debentures III (Note 11). During the three and nine months ended September 30, 2020, the Company expensed \$169 in interest on the convertible debentures to these directors (three and nine months ended September 30, 2019 - \$nil).
- vii) On September 28, 2020, the Company granted common share options with an exercise price of \$0.10 per share as follows:
- ◆ 150,000 to an officer and a consultant, with a maturity date of 5 years, and 30,000 vesting immediately, and 120,000 vesting equally over 3 years; and
  - ◆ 2,625,000 to directors and an officer, with a maturity date of 10 years, and 1,875,000 vesting immediately, and 1,620,000 vesting equally over 3 years.
- viii) During the three and nine months ended September 30, 2020 and 2019, the Company granted no new DSU's to independent Directors, in recognition of their past and future services to the Company. Under the terms of the Company's Deferred Share Unit Plan, holders of DSUs may redeem each DSU for one share of common stock upon the termination of their services to the Company at no cost to the holder. DSUs are measured at fair value on the date of grant. A total of 600,000 (2019 – 600,000) DSUs have been granted; 37,500 (2019 – 37,500) DSUs have expired unused, 150,000 (2019 - 150,000) DSUs have been exercised, and 412,500 (2019 – 412,500) DSUs remain outstanding.
- ix) For the three and nine months ended September 30, 2020, the Company expensed \$8,410 and \$28,673, respectively (three and nine months ended September 30, 2019 - \$nil) to Marrelli Support Services Inc. ("Marrelli") for: Victor Hugo to act as the Chief Financial Officer of the Company; and for bookkeeping services. Victor Hugo is an employee of Marrelli. These services were incurred in the normal course of operations for general accounting and financial reporting matters.
- x) As at September 30, 2020, \$542,441 (December 31, 2019 - \$645,710) was included in accounts payable and accrued liabilities due to related parties.

#### 20. Commitments

The Company has the following contractual obligations as of September 30, 2020:

<b>Fiscal year ended</b>	<b>2020</b>	<b>2021</b>	<b>2022-2028</b>	<b>Total</b>
University of Washington Technology License				
Minimum Annual Royalty <sup>(1)</sup>	\$ 6,490	\$ 6,490	\$ 45,430	\$ 58,410

- 1) 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.

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## **Ventripoint Diagnostics Ltd.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three and Nine Months Ended September 30, 2020**

**(Expressed in Canadian Dollars)**

**Unaudited**

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#### **21. Subsequent events**

- i) Subsequent to September 30, 2020, the Company issued 500,000 stock options to a consultant at an exercisable price of \$0.11 per share exercisable for a period of 18 months. These options are exercisable quarterly.
- ii) Subsequent to September 30, 2020, the Company amended 4,687,132 warrants, initially issued on October 2, 2019 at an exercise price of \$0.175 per common share to \$0.115 per share. All other provisions of the warrants will remain the same and all warrants will still expire on October 2, 2022.
- iii) Subsequent to September 30, 2020, 7,774,666 warrants were exercised.