Interim Condensed Financial Statements
(Expressed in Canadian Dollars)

KANE BIOTECH INC.

Nine months ended September 30, 2017 and 2016
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses its auditors have not reviewed the unaudited financial statements for the nine months ended September 30, 2017.

KANE BIOTECH INC.

Interim Condensed Statement of Financial Position
(unaudited)

	Note		September 30, 2017		December 31, 2016
Assets					
Current assets:					
Cash and cash equivalents		$	**2,527,305**	$	739,568
Trade and other receivables	4		**78,750**		71,873
Inventory	5		**163,210**		213,714
Other current assets			**42,112**		60,192
Total current assets			**2,811,377**		1,085,347
Non-current assets:					
Property and equipment			**59,759**		63,090
Intangible assets	6		**1,109,039**		982,774
Total non-current assets			**1,168,798**		1,045,864
Total assets		$	**3,980,175**	$	2,131,211
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	7	$	**385,706**	$	303,720
Current portion of convertible note	8		**-**		479,996
Total current liabilities			**385,706**		783,716
Shareholders' Equity					
Share capital	9(b)	$	**17,631,182**	$	15,031,823
Contributed surplus			**3,702,025**		3,504,384
Warrants	9(d)		**1,425,598**		48,165
Convertible note option	8		**-**		29,970
Deficit			**(19,164,336)**		(17,266,847)
Total			**3,594,469**		1,347,495
Total liabilities and equity		$	**3,980,175**	$	2,131,211

The notes on pages 5 to 20 are an integral part of these financial statements

KANE BIOTECH INC.

Interim Condensed Statements of Comprehensive Loss
(unaudited)

	Note		Three months ended Sept 30, 2017		Three months ended Sept 30, 2016		Nine months ended Sept 30, 2017		Nine months ended Sept 30, 2016
Revenue									
Product Revenue									
Sale of goods		**$**	**56,247**	$	59,278	**$**	**273,074**	$	170,137
Cost of sales			**14,542**		31,317		**84,860**		81,809
Gross profit			**41,705**		27,961		**188,214**		88,328
License & Royalty Revenue									
License & Royalty			**4,480**		-		**678,560**		-
License option			**-**		-		**-**		135,134
			4,480		-		**678,560**		135,134
			46,185		27,961		**866,774**		223,462
Expenses									
General and administration			**690,770**		436,979		**2,121,198**		1,680,545
Research			**219,398**		188,507		**552,095**		501,066
			910,168		625,486		**2,673,293**		2,181,611
Loss from operations			**(863,983)**		(597,525)		**(1,806,519)**		(1,958,149)
Finance costs (income):									
Finance income			**(189)**		(5,344)		**(292)**		(8,412)
Finance costs			**5,651**		23,778		**92,058**		96,060
Foreign exchange gain, net			**(199)**		104		**(796)**		2,893
Net finance costs (income)			**5,263**		18,538		**90,970**		90,541
Loss and comprehensive loss for the period		**$**	**(869,246)**	$	(616,063)	**$**	**(1,897,489)**	$	(2,048,690)
Basic and diluted loss per share for the period	**9(e)**	**$**	**(0.01)**	$	(0.01)	**$**	**(0.03)**	$	(0.06)

The notes on pages 5 to 20 are an integral part of these financial statements

KANE BIOTECH INC.

Interim Condensed Statement of Changes in Equity
Nine months ended September 30, 2017 and 2016

	Note	Share Capital	Contributed Surplus	Warrants	Convertible Note Option	Deficit	Total
Balance December 31, 2015		$ 11,708,244	$ 3,305,213	$ 154,918	$ 29,970	$ (14,718,099)	$ 480,246
Loss and comprehensive loss for the year						(2,548,748)	(2,548,748)
Transactions with owners, recorded directly in equity							
Issue of common shares	9(b)	3,010,972	-	-	-	-	3,010,972
Share based payments	9(c)	-	112,550	-	-	-	112,550
Warrants granted	9(d)	-	-	23,038	-	-	23,038
Warrants exercised	9(d)	312,607	-	(43,170)	-	-	269,437
Warrants expired	9(d)	-	86,621	(86,621)	-	-	-
Total transactions with owners		3,323,579	199,171	(106,753)	-	-	3,415,997
Balance December 31, 2016		$ 15,031,823	$ 3,504,384	$ 48,165	$ 29,970	$ (17,266,847)	$ 1,347,495
Loss and comprehensive loss for the period						(1,897,489)	(1,897,489)
Transactions with owners, recorded directly in equity							
Issue of common shares	9(b)	2,599,359	-	-	-	-	2,599,359
Share based payments	9(c)	-	148,986	-	-	-	148,986
Warrants granted	9(d)			1,426,088		-	1,426,088
Warrants exercised	9(d)	-	-	-	(29,970)	-	(29,970)
Warrants expired	9(d)	-	48,655	(48,655)		-	-
Total transactions with owners		2,599,359	197,641	1,377,433	(29,970)	-	4,144,463
Balance September 30, 2017		$ 17,631,182	$ 3,702,025	$ 1,425,598	$ -	$ (19,164,336)	$ 3,594,470

KANE BIOTECH INC.

Interim Condensed Statement of Cash Flows
(unaudited)

	Note	Three months ended Sept 30, 2017	Three months ended Sept 30, 2016	Nine months ended Sept 30, 2017	Nine months ended Sept 30, 2016
Cash provided by (used in):					
Operating activities:					
Loss and comprehensive loss for the period		**$ (869,246)**	$ (616,063)	**$ (1,897,489)**	$ (2,048,690)
Adjustments for:					
Depreciation of property and equipment		**3,925**	4,340	**11,661**	11,032
Amortization of intangible assets	**6**	**10,406**	8,864	**28,734**	26,076
Accretion on convertible note	**8**		23,449		68,018
Share based compensation	**9**	**34,225**	-	**118,435**	251,382
Finance expense			-		23,038
Change in the following:					
Trade and other receivables	**4**	**51,727**	21,217	**(6,877)**	39,447
Inventory	**5**	**2,790**	(45,794)	**50,504**	(122,861)
Other current assets		**(17,042)**	7,079	**18,080**	(7,936)
Accounts payable and accrued liabilities	**7**	**(8,156)**	34,822	**81,986**	3,406
Cashed used in operating activities		**(791,371)**	(562,086)	**(1,594,966)**	(1,757,088)
Financing activities:					
Issuance of common shares and warrants, net of share issuance costs	**9**	**3,987,086**	(5,434)	**4,024,956**	2,960,247
Issuance of convertible note, net of issuance costs					
Repayment of convertible note and loan	**8**	**(914,798)**	-	**(478,924)**	-
Warrants exercised	**9(d)**		-		269,437
Cash provided by (used in) financing acivities:		**3,072,289**	(5,434)	**3,546,032**	3,229,684
Investing activities:					
Purchase of property and equipment, net of proceeds on disposal		**(1,149)**	(11,593)	**(8,329)**	(34,707)
Additions to intangible assets	**6**	**(10,721)**	(51,218)	**(154,999)**	(170,059)
Cash used in investing acivities:		**(11,870)**	(62,811)	**(163,328)**	(204,766)
Increase (decrease) in cash		**2,269,048**	(630,331)	**1,787,738**	1,267,830
Cash, beginning of period		**258,259**	2,014,471	**739,568**	116,310
Cash, end of period		**$ 2,527,307**	$ 1,384,140	**$ 2,527,306**	$ 1,384,140
Supplemental cash flow information:					
Non-cash financing activities:					
Shares issued in lieu of cash for interest payment		**$ -**	$ 12,830	**$ 12,439**	$ 38,266

The notes on pages 5 to 20 are an integral part of these financial statements.

1. Reporting entity:

Kane Biotech Inc. (the "Company") is a biotechnology company engaged in the research, development and commercialization of technologies and products that prevent and remove microbial biofilms. The Company is domiciled and incorporated in Canada. Its registered office is 162-196 Innovation Drive, Winnipeg, Manitoba, Canada.

2. Basis of preparation of financial statements:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors on November 14, 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- financial instruments at fair value at the issue date
- equity settled share-based payment awards are measured at fair value at the grant date

(c) Going concern

These financial statements have been prepared using IFRSs that are applicable to a going concern, which contemplates that Kane Biotech Inc. will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption because the Company has experienced operating losses and cash outflows from operations since inception and has not yet achieved profitability from the commercialization of its products.

The Company's future operations are completely dependent upon its ability to generate product sales, negotiate collaboration or licence agreements with upfront and milestone payments, obtain research grant funding, or other strategic alternatives, and/or secure additional funds. While the Company is striving to achieve the above plans, there is no assurance that such sources of funds will be available or obtained on favourable terms. If the Company cannot generate product sales, negotiate collaboration or licence agreements with upfront payments, obtain research grant funding, or if it cannot secure additional financing on terms that would be acceptable to it, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain tangible and intangible assets as well as seeking to license assets, potential asset divestitures, winding up, dissolution or liquidation of the Company.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the successful completion of the actions taken or planned, some of which are described above, which management believes will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

These financial statements do not reflect adjustments in the carrying values of the Company’s assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

2. Basis of preparation of financial statements (continued):

(e) Use of estimates and judgments

The preparation of these financial statements in conformity with IFRSs 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial years are included in the following notes:

- Note 3(c)(iv) Convertible note
- Note 3(f)(i) Research and development costs
- Note 3(f)(ii) Patents and trademarks
- Note 3(f)(iii) Technology licenses
- Note 3(g)(ii) Impairment of non-financial assets
- Note 3(h)(ii) and Note 13 Share-based payment transactions

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to the 2016 annual audited financial statements unless otherwise indicated.

(a) Revenue recognition

Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

Licensing and royalty revenue is recognized when contractually earned.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes trade and other receivables and other current assets on the date that they are originated.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Company classifies loans and receivables as non-derivative financial assets. The Company has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

3. Significant accounting policies (continued):

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(iii) Non-derivative financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities which are classified as other financial liabilities: accounts payable and accrued liabilities.

(iv) Convertible note

The proceeds received on the issuance of the Company's convertible redeemable note and detachable warrants are allocated into their liability and equity components. The amount initially attributed to the debt component is equal to the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert or detachable warrants. It is accounted for as a financial liability measured at amortized cost until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to an equity component. The value of the equity component is allocated between the conversion option and the detachable warrants using the fair value determined at the date of measurement using the Black Scholes option pricing model on a pro-rata basis. The conversion option is recognized in the "Convertible note option" within shareholders' equity, net of income tax effects and the detachable warrants are classified in “Warrants” within shareholders’ equity, net of income tax effects. Incremental costs directly attributable to the issue of convertible debt are recognized as a deduction from the liability and equity components, net of any tax effects.

(v) Share capital

Common voting shares are classified as equity. Incremental costs directly attributable to the issue of common voting shares are recognized as a deduction from equity, net of any tax effects.

(vi) Warrants

Warrants are classified as equity. Incremental costs directly attributable to the exercise of warrants and related issue of common voting shares are recognized as a deduction from equity, net of any tax effects.

(d) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified and written down to net realizable values.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive loss in the period in which they are incurred.

3. Significant accounting policies (continued):

(ii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives and depreciation method for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer and office equipment	Diminishing balance	20-30%
Scientific and manufacturing equipment	Diminishing balance	20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Intangible assets

(i) Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

(ii) Patents and trademarks

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

(iii) Technology licenses

Technology licenses are recorded at cost less accumulated impairment losses. The cost of technology licences will be amortized over their estimated useful life commencing in the period in which the product is commercially launched and sales of the licensed products are first earned.

(iv) Subsequent expenditures

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

3. Significant accounting policies (continued):

(g) Impairment

(i) Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

If such evidence exists, the Company recognizes an impairment loss for financial assets. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Non-financial assets

The carrying amount of long-lived non-financial assets, including intangible assets and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually.

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used to evaluate the underlying assets could result in a material change to the results of operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment had been recognized. Write-downs as a result of impairment are recognized in research expense in the statement of comprehensive loss.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

3. Significant accounting policies (continued):

(i) Government grants

Grants are recognized in profit or loss as deductions from the related expenditures when the grants become receivable. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise accretion expense on borrowings which are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(k) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized to date.

Scientific research and development tax credits, which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense when there is reasonable assurance that they will be realized.

(l) Earnings (loss) per share

The Company presents basic earnings per share (EPS) data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for own shares held. Common voting share equivalents have been excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

(m) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company is assessing the impact of these pronouncements on its results and financial position. The Company intends to adopt those standards when they become effective.

3. Significant accounting policies (continued):

IFRS 9 Financial Instruments

IFRS 9-Financial instruments replaces IAS 39-Financial instruments and includes requirements for recognition and measurement, impairment and derecognition of financial instruments and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15-Revenue from contracts with Customers replaces IAS 11-Construction Contracts and IAS 18-Revenue, as well as various IFRIC and SIC interpretations; specifies the steps and timing for entities to recognize revenue from contracts, excluding lease contracts; enhances disclosure requirements; and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 16 Leases

IFRS 16-Leases replaces IAS 17-Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operation and financing leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

4. Trade and other receivables:

		September 30, 2017		December 31, 2016
Trade receivables	**$**	**57,480**	$	49,419
Other receivables		**21,270**		22,454
	$	**78,750**	$	71,873

5. Inventory:

		September 30, 2017		December 31, 2016
Raw materials	**$**	**121,251**	$	167,235
Work-in-progress		**3,386**		1,963
Finished goods		**38,573**		44,516
	$	**163,210**	$	213,714

6. Intangible assets:

The following is a summary of intangible assets as at September 30, 2017:

Cost	Patents	Trademarks	Technology Licenses	Total
Balance December 31, 2014	$ 815,301	$ 34,308	$ 47,222	$ 896,831
Additions - 2015	88,969	9,396	-	98,365
Change due to derecognition	(69,853)	-	(16,671)	(86,524)
Balance December 31, 2015	$ 834,417	$ 43,704	$ 30,551	$ 908,672
Additions - 2016	204,093	24,887	-	228,980
Change due to derecognition	-	-	-	-
Balance December 31, 2016	$ 1,038,510	$ 68,591	$ 30,551	$ 1,137,652
Additions - 2017	146,043	8,956	-	154,999
Change due to derecognition	-	-	-	-
Balance September 30, 2017	$ 1,184,553	$ 77,547	$ 30,551	$ 1,292,651

Accumulated amortization and derecognition	Patents	Trademarks	Technology Licenses	Total
Balance December 31, 2014	$ 104,291	$ -	$ -	$ 104,291
Amortization - 2015	32,527	-	-	32,527
Change due to derecognition	(17,195)	-	-	(17,195)
Balance December 31, 2015	$ 119,623	$ -	$ -	$ 119,623
Amortization - 2016	35,255	-	-	35,255
Change due to derecognition	-	-	-	-
Balance December 31, 2016	$ 154,878	$ -	$ -	$ 154,878
Amortization - 2017	28,734	-	-	28,734
Change due to derecognition	-	-	-	-
Balance September 30, 2017	$ 183,612	$ -	$ -	$ 183,612

Carrying amounts	Patents	Trademarks	Technology Licenses	Total
Balance December 31, 2014	$ 711,010	$ 34,308	$ 47,222	$ 792,540
Balance December 31, 2015	714,794	43,704	30,551	789,049
Balance December 31, 2016	883,632	68,591	30,551	982,774
Balance September 30, 2017	1,000,941	77,547	30,551	1,109,039

6. Intangible assets (continued):

The Company has considered indicators of impairment as of September 30, 2017. To September 30, 2017, the Company has recorded aggregate impairment losses of $881,489, primarily resulting from patent applications not pursued.

Amortization and write down expenses are recognized in research expense.

7. Accounts payable and accrued liabilities:

		September 30, 2017		December 31, 2016
Trade payables	**$**	**124,238**	$	135,922
Non-trade payables and accrued expenses		**261,469**		167,798
	$	**385,706**	$	303,720

8. Convertible note and loan:

On December 18, 2013 the Company closed a private placement offering of a $500,000 principal, 2-year, 10% convertible redeemable unsecured note (the “Note”) and 4,000,000 share purchase warrants (“Warrants”) for gross proceeds of $500,000. The Note can be converted at any time into common shares at the holder's option at the rate of $0.15 per share. The Note is also redeemable at any time at the option of the Company at an amount equal to the face value of the Note, plus all accrued and unpaid interest, subject to the right of the holder to convert the Note into common shares of the Company prior to redemption. The Company may elect to pay the interest on the Note or the redemption price of the Note in common shares, in lieu of cash, at the market price of the common shares on such interest payment or redemption due date.

Each Warrant entitles the holder to purchase one common voting share at a price of $0.095 for a period of 2 years.

At the time of issuance, the present value of the liability component of the convertible promissory note based on an estimated market interest rate of 18% was $425,566.

On December 18, 2015 the Company entered into an agreement to (a) extend the maturity date from December 18, 2015 to June 18, 2017 and (b) change the price at which such Note may be convertible into common shares of the Company from $0.15 per common share to $0.10 (pre-5 to 1 consolidation) per common share. All other terms of the Note remain the same. The Company also entered in an agreement to extend the time during which the 4,000,000 of its previously issued Warrants to purchase common shares may be exercised from December 18, 2015 to June 18, 2017. All other terms of the Warrants remain the same, including the exercise prices of $0.095 (pre-5 to 1 consolidation) per common share.

At the time of issuance of the new note the present value of the liability component of the convertible promissory note based on a market interest rate of 18% was $443,830.

On June 23, 2017 the Company entered into an agreement for a $400,000 short term loan to bridge its cash needs for operations until its $4,008,599 private placement offering initially closed on July 17, 2017.

On July 21, 2017 the Company paid off all its outstanding debt which included the $500,000 convertible note and $400,000 bridge loan.

8. Convertible note and loan (continued):

The following is a summary of the convertible note and loan as at September 30, 2017:

	Proceeds	Convertible Note	Conversion Option	Warrants
Balance December 31, 2014	$ 464,229	$ 448,505	$ 25,530	$ 43,579
Interest payments	-	(50,418)	-	-
Accretion	-	101,913	-	-
Balance December 18, 2015	$ 464,229	$ 500,000	$ 25,530	$ 43,579
Note expiration Deccember 18, 2015	(464,229)	(500,000)	(25,530)	(43,579)
Note extension issued December 18, 2015	500,000	443,830	30,553	25,617
Issuance costs	(9,543)	(8,471)	(583)	(489)
Accretion	-	3,290	-	-
Balance December 31, 2015	$ 490,457	$ 438,649	$ 29,970	$ 25,128
Interest payment	-	(50,836)	-	-
Accretion	-	92,182	-	-
Balance December 31, 2016	$ 490,457	$ 479,995	$ 29,970	$ 25,128
Note expiration Jun 18, 2017	(490,457)	20,005	(29,970)	(25,128)
Loan issued June 23, 2017	-	400,000	-	28,492
Accretion	-	14,798	-	-
Interest payment June 21, 2017	-	(14,798)	-	-
Repayment of loans	-	(900,000)	-	-
Balance September 30, 2017	$ -	$ -	$ -	$ 28,492

9. Share capital:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares, an unlimited number of class A common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, and the directors may fix prior to each series issued, the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares.

9. Share capital (continued):

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Voting Shares		Amount
Balance December 31, 2014	21,404,764	$	10,894,627
Issued in lieu of cash for interest, net of issue costs $ 1,577	201,671		48,841
Exercise of warrants	2,200,000		764,776
Balance December 31, 2015	23,806,434	$	11,708,244
Exercise of warrants	900,000		312,607
Issued in lieu of cash for interest, net of issue costs of $2,254	203,344		48,581
Issued in Rights Offering net of issue costs of $99,062	16,214,878		2,333,170
Issued in Private Placement Offering, net of issue costs of $31,324	4,403,632		629,221
Balance December 31, 2016	45,528,288	$	15,031,823
Issued in lieu of cash for interest, net of costs of $562	80,251		11,877
Issued in Private Placement Offerings, net of issue costs and warrants of $1,553,118	34,504,997		2,587,482
Balance September 30, 2017	80,113,536	$	17,631,182

During the period ended September 30, 2017, the Company closed a private placement offering of units at a price of $0.12. At the closing, 34,504,997 units were issued for aggregate gross proceeds of $4,140,600. Issue costs associated with the transaction were $156,013. Each Unit is comprised of one Common Share of the Company and one share purchase Warrant. Each Warrant will expire 18 months from the date the Warrant is issued and will entitle the holder to purchase one Common Share at a price of $0.18 up to the expiry date. The Shares and Warrants will be restricted from transfer for a period of four months from the issue date in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

. Also during the period ended September 30, 2017, the Company granted an aggregate of 913,000 stock options at an exercise price of $0.30 per common share to directors, management, and employees of the Company. In accordance with securities regulatory requirements, any shares issued pursuant to the exercise of such options will be subject to resale restriction for a period of four months from the date of the grant.

During the period ended June 30, 2017, the Company received a loan in the amount of $400,000 from an arm's length third-party lender. The Loan bears interest at 12% per annum and was repaid on July 21, 2017. Additional consideration for the loan guarantee was the issuance of 800,000 share purchase warrants at a price of $0.18 per common share for a period one year from the date of issuance of the warrants.

During the period ended March 31, 2017, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every five pre-consolidation common shares (the "Consolidation") resulting in a total of 45,528,288 common shares issued and outstanding following the Consolidation.

Also, during the period ended March 31, 2017 the Company elected to issue, in lieu of cash, 80,251 common shares in payment of $12,439 in interest owing on the Company's convertible note (Note 8).

Also, during the period ended March 31, 2017, 1,250,000 warrants issued in March 29, 2016 expired.

9. Share capital (continued):

During the year ended December 31, 2016, 4,500,000 (pre-5 to 1 consolidation) warrants from the 2014 private placement offering (the “2014 Offering”) were exercised for common shares for gross proceeds of $312,607 net of issuance costs of $564. During the year ended December 31, 2015 11,000,000 (pre-5 to 1 consolidation) warrants from the “2014 Offering” were exercised for common shares for gross proceeds of $659,249 net of issuance costs of $751.

Also during the year ended December 31, 2016, the Company elected to issue, in lieu of cash, 1,016,723 (pre-5 to 1 consolidation) common shares in payment of $50,835 in interest owing on the Company’s convertible note. Issue costs associated with this transaction were $2,254. During the year ended December 31, 2015, the Company elected to issue, in lieu of cash 1,008,353 (pre-5 to 1 consolidation) common shares in payment of $50,418. Issue costs associated with this transaction were $1,577.

Also during the year ended December 31, 2016, the Company issued 81,074,389 (pre-5 to 1 consolidation) common shares for aggregate gross proceeds of $2,432,232. Pursuant to the Rights Offering, the Company issued 74,191,277 (pre-5 to 1 consolidation) Common Shares under the basic subscription privilege and 6,883,112 (pre-5 to 1 consolidation) Common Shares under the additional subscription privilege. Issue costs associated with the transaction were $99,062.

Also during the year ended December 31, 2016, the Company closed a private placement offering of common shares at a price of $0.03 per Common Share. At the closing, 22,018,158 (pre-5 to 1 consolidation) Common Shares were issued for aggregate gross proceeds of $660,545. Issue costs associated with the transaction were $31,324.

(c) Stock option plan

The Company has an equity-settled Stock Option Plan ("Plan") in place for employees, directors, officers and consultants of the Company which is administered by the Board of Directors. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding shares of the Company at any one time. At September 30, 2017, an aggregate maximum of 8,011,354 (December 31, 2016 – 4,552,828) common share options are reserved for issuance under the Plan with 4,625,354 (December 31, 2016 – 1,297,328) of those common share options remaining available.

Share options issued to employees, directors and officers of the Company under the Plan expire five years from the grant date. The attributed exercise price of the grant per the Plan cannot be less than the closing price per common share on the date of the grant.

Effective on all stock options issued after October 1, 2015;

i) The exercise price shall, at a minimum, be equal to the fair market value of the Company’s common stock on the grant date (TSXV share price);

ii) Each stock option shall vest in 3 equal annual installments, beginning on the grant date;

iii) The options shall expire 5 years from the date of issue;

iv) Annual grants shall occur on or before March 31st of the year. Grants to Executive officers shall be made by the Compensation Committee. Grants to staff shall be made by Authorized Officers (the CEO and CFO) on the first day of employment. The Authorized Officers may not approve any stock option awards exceeding 100,000 shares to any staff member. Non-Management Directors automatically receive a grant in the amount of the last previous grant to Non-Management Directors. Management directors are not eligible for Non-Management Directors stock option grants;

v) All exceptions must be approved by the Compensation Committee.

9. Share capital (continued):

Changes in the number of options outstanding during the period ended September 30, 2017 and 2016 are as follows:

	September 30, 2017			September 30, 2016		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Balance, beginning of period	3,255,500	**$**	**0.39**	1,504,500	$	0.55
Granted	915,000	**$**	**0.30**	2,051,000		0.40
Exercised	-		-	-		-
Forfeited, cancelled or expired	**(784,500)**	**$**	**0.75**	(300,000)		0.80
Balance, end of period	**3,386,000**	**$**	**0.35**	3,255,500	$	0.40
Options exercisable, end of period	**2,249,004**			3,255,500		
Weighted average fair value per unit of option granted during the period		**$**	**0.07**		$	0.15

Options outstanding at September 30, 2017 consist of the following:

Range of exercise prices	Outstanding number	Weighted average remaining contractual life		Weighted average exercise price	Exercisable number
$0.25-$0.70	**3,386,000**	**3.41**	**$**	**0.35**	**2,249,004**

For the period ended September 30, 2017, the Company recorded share option compensation expense of $118,435 (September 30, 2016 $221,216) with a corresponding credit to contributed surplus. Share option compensation expense was based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model.

For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. For awards subject to graded vesting, each instalment is treated as a separate award with separate fair value and a separate vesting period.

9. Share capital (continued):

(d) Warrants

Changes in the number of warrants outstanding during the period ended September 30, 2017 and 2016 are as follows:

	September 30, 2017			September 30, 2016		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of year	**1,050,000**	**$ 48,165**	**$ 0.40**	3,500,000	$ 154,918	$ 0.35
Issued, pursuant to promissory note	**800,000**	**28,492**	**0.18**	250,000	23,038	0.25
Issued, pursuant to convertible debt	**-**	**-**	**-**	-	-	-
Issued, pursuant to private placement	**34,504,997**	**1,397,596**	**0.18**	-	-	-
Issued, pursuant to finder's fee	**-**	**-**	**-**	-	-	-
Exercised	**-**	**-**	**-**	(900,000)	(43,170)	0.30
Expired	**(1,050,000)**	**(48,655)**	**0.40**	(1,800,000)	(86,621)	0.30
Balance, end of period	**35,304,997**	**$ 1,425,598**	**$ 0.18**	1,050,000	$ 48,165	$ 0.35
Weighted average remaining contractual life			**1.29**			0.662

The relative fair value of warrants was determined at the date of measurement using the Black-Scholes option pricing model.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the period ended September 30, 2017 and 2016 was 54,937,451 and 35,057,375 respectively. The dilution created by options and warrants has not been reflected in the per share amounts as the effect would be anti-dilutive.

Basic and diluted loss per share for the comparative three and nine-month periods ended September 30, 2016 has been restated to reflect the 5 to 1 common share consolidation which took place during the period ended March 31, 2017.

10. Commitments and contingencies:

(a) Commitments

As at September 30, 2017 and in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed.

10. Commitments and contingencies (continued):

Contractual obligation payments due by fiscal period ending September 30:

	USD	CND
2017	$ 10,000	$ 29,139
2018	$ 10,000	$ 33,971
2019	$ 10,000	$ -
2020	$ 10,000	$ -
2021	$ 10,000	$ -
	$ 50,000	$ 63,110

The Company has no planned capital commitments for the coming year.

The Company holds a worldwide exclusive right to Competence Stimulating Peptide (CSP) technology from the University of Toronto Innovations Foundation (UTIF). In consideration for the right, the Company will pay UTIF a royalty of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay UTIF a percentage of a sublicense fee or sublicense royalty fees. The Company does not expect to make royalty payments under this agreement in fiscal 2017 and cannot predict when such royalties will become payable, if at all.

Also, the Company holds a worldwide exclusive license to DispersinB® enzyme from the University of Medicine and Dentistry of New Jersey (UMDNJ). In consideration for the right, the Company will pay a royalty to UMDNJ of a stipulated percentage of the net sales, if any, of the licensed products. If the Company sublicenses any rights to a third party, the Company will pay UMDNJ a percentage of a sublicense fee and/or sublicense royalty fees. A minimum royalty fee of $10,000 USD per annum is payable for the life of the license, with additional milestone payments possible throughout the term of the agreement.

(b) Guarantees

The Company periodically enters into research and licence agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying financial statements with respect to these indemnification obligations.

11. Government and other assistance:

During the period ended September 30, 2017, the Company received $151,068 (September 30, 2016 - $125,023) in government and other assistance for the purpose of research and product market development. Government and other assistance has been recorded as a reduction to research and general and administrative expenses. No grants repayable have been recorded to date.

12. Related parties:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, President & CEO and CFO are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan (Note 9(c)). The following table details the compensation paid to key management personnel:

	September 30, 2017	September 30, 2016
Salaries, fees and short-term employee benefits	$ 191,367	$ 208,383
Share-based payments	55,525	123,665
	$ 246,892	$ 332,048

(b) Key management personnel and director transactions

Directors and key management personnel control thirty-two percent of the voting shares of the Company.

13. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values that have been determined for measurement and/or disclosure purposes based on certain models are indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.