



Avricore Health Inc.
(formerly VANC Pharmaceuticals Inc.)

**Unaudited Condensed Interim
Consolidated Financial Statements**

For the three and nine months ended September 30, 2019

Notice to Reader

Management has prepared the unaudited condensed interim consolidated financial statements for Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.) (the Company) in accordance with National Instrument 51-102 released by the Canadian Securities Administration. The Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2019.

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

	Note	September 30, 2019	December 31, 2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		60,184	84,442
Accounts receivable	4	56,441	280,280
Prepaid expenses	5	278,052	286,246
Inventories	6	-	102,499
		394,677	753,467
Equipment	7	16,279	21,005
Intangible assets	8	3	425,733
Total Assets		410,959	1,200,205
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	9	598,546	314,239
		598,546	314,239
SHAREHOLDERS' (DEFICIT) EQUITY			
Share capital	10	21,671,416	20,783,372
Subscription		10,000	-
Shares to be issued	3	-	211,167
Reserves	10	5,159,257	5,119,838
Deficit		(27,028,260)	(25,228,411)
		(187,587)	885,966
Total Liabilities and Shareholders' (Deficit) Equity		410,959	1,200,205

Commitments (Note 16)
Segmented information (Note 17)
Subsequent events (Note 20)

Approved and authorized on behalf of the Board of Directors on November 29, 2019.

“Sukhwinder Bob Rai”
Sukhwinder Bob Rai, Director

“David Hall”
David Hall, Chairman

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the three and nine months ended September 30, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

	Note	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine months Ended September 30, 2019	Nine Months Ended September 30, 2018
		\$	\$	\$	\$
Revenue					
Sales		16,541	30,737	156,402	500,612
Marketing, promotional incentives		(312)	(33,694)	(69,137)	(188,688)
Net sales		16,229	(2,957)	87,265	311,924
Cost of Sales		3,999	94,694	44,567	199,535
Gross profit (loss)		12,230	(97,651)	42,698	112,389
Expenses					
Amortization		1,575	184,705	116,941	440,117
Consulting		183,994	96,908	404,375	241,321
General and administrative	13, 14	95,539	67,611	255,828	248,712
Management Fees		37,500	42,248	112,500	124,630
Product registration and development	11	98	70,398	4,999	218,230
Professional fees	14	72,839	56,384	199,644	171,060
Selling and marketing	12	17,013	191,874	272,273	544,777
Share-based compensation	10, 14	-	9,300	58,525	333,601
		408,558	719,428	1,425,085	2,322,448
Other income (expense)					
Finance costs		-	-	-	(342)
Gain on settlement of debt		-	178,285	-	178,285
Write-down of intangible assets	8	(313,514)	-	(313,514)	-
Write-down of inventories	6	(3,242)	(61,755)	(109,941)	(159,078)
Other income (loss)		29,656	17,750	5,993	23,626
Net loss and comprehensive loss for the period		(683,428)	(682,799)	(1,799,849)	(2,167,568)
Basic and Diluted Loss Per Share		(0.01)	(0.02)	(0.03)	(0.07)
Weighted Average Number of Common Shares Outstanding		49,269,867	32,072,877	45,546,272	32,072,877

Segmented information (Note 17)

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.)

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

For the nine months ended September 30, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares to be Issued	Shares Subscribed	Warrant Reserve	Option Reserve	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	27,860,623	18,340,491	973,333	-	221,388	4,054,494	(21,091,609)	2,498,097
Shares issued for cash	5,327,335	771,504	-	-	9,332	-	-	780,836
Exercise of warrants	2,975,500	603,310	-	-	(8,210)	-	-	595,100
Shares issued for services	233,450	43,915	-	-	-	-	-	43,915
Acquisition of HealthTab Inc.	1,760,000	325,600	(510,400)	-	-	-	-	(184,800)
Acquisition of Corozon Platform	909,090	200,000	-	-	-	-	-	200,000
Acquisition of distribution rights	-	-	-	-	510,878	-	-	510,878
Share-based compensation	-	-	-	-	-	333,601	-	333,601
Net loss	-	-	-	-	-	-	(2,167,568)	(2,167,568)
Balance, September 30, 2018	39,065,998	20,284,820	462,933	-	733,388	4,388,095	(23,259,177)	2,610,059
Balance, December 31, 2018	40,103,665	20,783,372	211,167	-	733,388	4,386,450	(25,228,411)	885,966
Shares issued for cash	11,058,835	637,070	-	-	-	-	-	637,070
Exercise of options	73,928	39,807	-	-	-	(19,106)	-	20,701
Shares to be issued	1,236,191	211,167	(211,167)	-	-	-	-	-
Shares subscribed	-	-	-	10,000	-	-	-	10,000
Share-based compensation	-	-	-	-	-	58,525	-	58,525
Net loss	-	-	-	-	-	-	(1,799,849)	(1,799,849)
Balance, September 30, 2019	52,472,619	21,671,416	-	10,000	733,388	4,425,869	(27,028,260)	(187,587)

The accompanying notes are an integral part of these financial statements

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.)

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

	Nine months ended September 30,	
	2019	2018
	\$	\$
Operating Activities		
Net loss	(1,799,849)	(2,167,568)
<i>Adjustment for the non-cash items:</i>		
Amortization	116,942	440,117
Share-based payments	58,525	333,601
Write-down of inventories	109,941	159,078
Write-down of intangible assets	313,514	-
Gain on debt settlement	-	(178,286)
Services paid in shares	-	37,401
<i>Change in working capital items:</i>		
Accounts receivable	223,839	227,651
Prepaid expenses and deposits	8,194	(101,030)
Inventories	(7,442)	(133,708)
Accounts payable and accrued liabilities	284,307	(76,478)
Net cash used in operating activities	(692,029)	(1,459,222)
Investing Activities		
Intangible assets	-	(120,833)
Purchase of equipment	-	(5,000)
Net cash used in investing activities	-	(125,833)
Financing Activities		
Proceeds from issuance of shares, net	637,070	730,836
Subscriptions received	10,000	-
Proceeds from exercise of options	20,701	-
Proceeds from exercise of warrants	-	595,100
Net cash provided by financing activities	667,771	1,325,936
Increase (Decrease) in Cash	(24,258)	(259,119)
Cash and Cash Equivalents, Beginning of Period	84,442	559,733
Cash and Cash Equivalents (Bank Overdraft), End of Period	60,184	300,614
Cash and Cash Equivalents (Bank Overdraft) Consist of:		
Cash	60,184	283,888
Guaranteed Investment Certificates	-	16,726
Cash and cash equivalents	60,184	300,614

Supplemental cash flow information (Note 18)

1. NATURE OF OPERATIONS AND GOING CONCERN

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.) (the “Company”) was incorporated under the *Company Act* of British Columbia on May 30, 2000. The Company’s common shares trade on the TSX Venture Exchange (the “Exchange”) under symbol “AVCR” and are quoted on the OTCIQ Market as “NUVPF”. The Company’s registered office is at 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company’s operations consist of the marketing and distribution of generic and over-the-counter (“OTC”) pharmaceuticals and point of care technology and point of care tests.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. The Company has always experienced operating losses and negative operating cash flows. Operations have been funded by the issuance of share capital. These conditions may cast substantial doubt on the Company’s ability to continue as a going concern.

The continuation of the Company as a going concern is dependent upon its ability to generate revenue from its operations, or raise additional financing to cover ongoing cash requirements.

The condensed interim consolidated financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

	Nine months ended September 30, 2019	Year ended December 31, 2018
	\$	\$
Deficit	(27,028,260)	(25,228,411)
Working capital (deficit)	(203,869)	439,228

Economic dependence

The Company currently has licensing arrangements with three manufacturers to purchase, distribute and commercialize their drug molecules in Canada. The Company derives the majority of its gross sales from two distributors for the three and nine months ended September 30, 2019. The ability of the Company to sustain operations is partially dependent on the continued operation of these distributors. The launch of new OTC products diversifies the Company’s portfolio and reduces the risk of the economic dependence.

2. BASIS OF PRESENTATION

a) Statement of Compliance and basis of presentation

The interim consolidated financial statements for the three and nine months ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), IAS 34 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2018. The accounting policies followed in these interim financial statements are consistent with those applied in the Company’s most recent annual financial statements for the year ended December 31, 2018.

2. BASIS OF PRESENTATION (continued)

b) Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The significant accounting policies are presented in Note 3 of the audited consolidated financial statements for the year ended December 31, 2018 and have been consistently applied in each of the periods presented. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of consolidated financial statements in accordance with IFRS requires the Company's management to make estimates, judgments and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes to the consolidated financial statements. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(m) of the audited consolidated financial statements for the year ended December 31, 2018. Actual results might differ from these estimates. The Company's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

c) Basis of consolidation

Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company's consolidated financial statements. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

These consolidated financial statements include the accounts of the Company and its controlled wholly owned subsidiaries, Vanc Marine Pharmaceuticals Inc. and HealthTab Inc.

3. ACQUISITION

On December 28, 2017, the Company completed the acquisition of all the common shares of HealthTab Inc. ("HealthTab"). HealthTab's primary asset is intellectual property and certain trademarks and web domains related to the design of the HealthTab system, being a lab-accurate, point of care testing platform. Under the share purchase agreement, the consideration paid by the Company is as follows:

- Cash payment of \$100,000 upon signing of the share purchase agreement (paid);
- Cash payment of \$100,000 in six equal monthly instalments after the closing date (paid);
- Issue 880,000 common shares no later than 125 days after the closing date (issued) (Notes 11);
- Issue 880,000 common shares no later than 245 days after the closing date (issued);
- Issue 906,667 common shares no later than 365 days after the closing date (issued);
- Issue common shares equal to the higher of \$100,000 or 5% of net sales related to HealthTab for the year ended December 2018 by January 31, 2019 (issued); and
- Issue common shares equal to the higher of \$100,000 or 5% of net sales related to HealthTab for the year ended December 2019 by January 31, 2020

This acquisition has been accounted for as an acquisition of assets and liabilities as HealthTab did not meet the definition of a business under IFRS 3, Business Combinations.

3. ACQUISITION (continued)

The shares to be issued have been valued based on the Company's share price on the acquisition. Due to the uncertainty associated with future revenue derived from HealthTab, the Company has estimated the 2020 share issuances to be \$100,000.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

	September 30, 2019	December 31, 2018
	\$	\$
Trade receivables	37,126	193,465
GST receivable	19,315	86,815
Employee advances	-	-
	56,441	280,280

5. PREPAID EXPENSES AND DEPOSITS

The closing balance consists of prepaid expense to vendors of \$245,634 (December 31, 2018 – \$218,951), security deposit for office of \$8,420 (December 31, 2018 - \$8,420), prepaid business insurance of \$11,998 (December 31, 2018 - \$7,396) and security deposits of \$12,000 (December 31, 2018 - \$Nil).

6. INVENTORIES

At September 30, 2019 and December 31, 2018, the Company's inventory consists of the following:

	September 30, 2019	December 31, 2018
	\$	\$
Finished goods	-	102,499
	-	102,499

Inventories expensed to cost of sales during the nine months ended September 30, 2019 are \$27,018 (2018 - \$116,681). During the nine months ended September 30, 2019, the Company recorded a write-down of inventory of \$109,941 (2018 - \$159,078).

Avricore Health Inc. (formerly VANC Pharmaceuticals Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

7. EQUIPMENT

	Office Furniture and Equipment	Computer equipment and Systems	Laboratory Equipment	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$
Balance, December 31, 2017	7,491	66,870	38,896	24,182	137,439
Additions	5,000	-	-	-	5,000
Write off	(1,637)	(62,972)	-	-	(64,609)
Balance, December 31, 2018 and September 30, 2019	10,854	3,898	38,896	24,182	77,830
Accumulated Amortization					
Balance, December 31, 2017	1,612	2,130	25,342	18,634	47,718
Amortization	3,264	19,422	4,067	1,849	28,602
Write off	(495)	(19,000)	-	-	(19,495)
Balance, December 31, 2018	4,381	2,552	29,409	20,483	56,825
Amortization	1,456	303	2,135	832	4,726
Balance, September 30, 2019	5,837	2,855	31,544	21,315	61,551
Carrying value					
As at December 31, 2018	6,473	1,346	9,487	3,699	21,005
As at September 30, 2019	5,017	1,043	7,352	2,867	16,279

8. INTANGIBLE ASSETS

	HealthTab	Corozon	Emerald	Total
Cost	\$	\$	\$	\$
Balance, December 31, 2017	1,140,283	-	-	1,140,283
Acquired assets	-	231,818	510,878	742,696
Write down	(1,140,282)	(231,817)	-	(1,372,099)
Balance, December 31, 2018	1	1	510,878	510,880
Write down	-	-	(510,877)	(510,877)
Balance, September 30, 2019	1	1	1	3
Accumulated Amortization				
Balance, December 31, 2017	4,166	-	-	4,166
Amortization	380,093	41,667	85,147	506,907
Write down	(384,259)	(41,667)	-	(425,926)
Balance, December 31, 2018	-	-	85,147	85,147
Amortization	-	-	112,216	112,216
Write down	-	-	(197,363)	(197,363)
Balance, September 30, 2019	-	-	-	-
Carrying value				
As at December 31, 2018	1	1	425,731	425,733
As at September 30, 2019	1	1	1	3

8. INTANGIBLE ASSETS (continued)

On April 11, 2018, the Company entered into an asset purchase agreement with Corozon Consulting Corporation for the acquisition of the Corozon Platform. The Corozon Platform consists of two complementary modules: Corozon Academy which offers practical professional education to community pharmacists and Corozon Hardware which is an e-commerce portal that allows pharmacists to order point-of-care diagnostic devices and supplies. For consideration, the Company will pay twelve monthly instalments totaling \$50,000 (paid) and issue 909,090 common shares valued at \$200,000 (issued) (Note 11).

On April 15, 2018, the Company entered into a supply and distribution agreement with Emerald Health Therapeutics, Inc. ("Emerald") to sell and distribute certain proprietary endocannabinoid-supporting products in Canada to licensed pharmacies. For consideration, the Company issued 3,030,303 warrants to Emerald valued at \$510,878 to acquire 3,030,303 common shares of the Company at a price of \$0.33 per share until April 15, 2020 (issued) (Notes 11).

During the year ended December 31, 2018 the Company recognized impairment of the intangible assets related to HealthTab acquisition (note 3) and Corozon Platform acquisition in the amount of \$964,354. During the period ended September 31, 2019 the Company recognized impairment of the intangible assets related to Emerald acquisition (note 3) in the amount of \$313,514. The impairment can be reversed in future periods when there is a change in the estimates used to determine the asset's recoverable amount.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued costs consist of the following:

	September 30, 2019	December 31, 2018
	\$	\$
Trade accounts payable	573,546	226,575
Accrued liabilities	25,000	87,664
	598,546	314,239

During the year ended December 31, 2018, the Company issued 233,450 common shares to Lampyon Canada Inc. valued at \$43,915 in consideration for services rendered pursuant to the terms of a service agreement entered into on April 10, 2018. During the nine months ended September 30, 2019 the Company issued 125,081 shares valued at \$11,167 for the same services.

10. SHAREHOLDERS' EQUITY

Authorized share capital

Authorized: Unlimited number of common shares without par value.

Issued share capital

During the nine months ended September 30, 2019:

The Company issued 1,111,110 common shares valued at \$200,000 related to the acquisition of HealthTab (Note 3).

The Company issued 73,928 common shares for exercise of 73,928 stock options for gross proceeds of \$20,701. \$19,108 was reclassified from reserves to share capital on exercise of the options.

10. SHAREHOLDERS' EQUITY (continued)

The Company issued 125,081 common shares to Lampyon valued at \$11,167 in consideration for services rendered pursuant to the terms of a service agreement entered into on April 10, 2018.

The Company closed a private placement 4,206,435 common shares at a price of \$0.07 per share for gross proceeds of \$294,450.

The Company closed a tranche of a private placement and issued 6,852,400 units at a price of \$0.05 per unit for gross proceeds of \$342,620. Each unit consisted of one common share and one share purchase warrant entitling the holder thereof to acquire additional common share of the Company at a price of \$0.15 per share until August 13, 2021.

During the year ended December 31, 2018:

The Company issued 2,666,667 common shares valued at \$773,733 related to the acquisition of HealthTab (Note 3).

The Company issued 909,090 common shares valued at \$181,818 related to the acquisition of the Corozon Platform.

The Company issued 233,450 common shares to Lampyon valued at \$43,915 in consideration for services rendered pursuant to the terms of a service agreement entered into on April 10, 2018.

The Company closed a private placement and issued 5,327,335 units at a price of \$0.15 per unit for gross proceeds of \$799,100. Each unit consisted of one common share and one share purchase warrant entitling the holder thereof to acquire additional common share of the Company at a price of \$0.33 per share until July 27, 2020. The Company paid finder's fees of \$18,264 in cash and issued 88,800 finder's warrants valued at \$9,332. The finder's warrants are exercisable to purchase one common share of the Company at \$0.33 per share until July 31, 2020.

The Company issued 131,000 common shares for exercise of 131,000 stock options for gross proceeds of \$28,820. \$40,180 was reclassified from reserves to share capital on exercise of options.

The Company issued 2,975,500 common shares for exercise of 2,975,500 warrants for gross proceeds of \$595,100. \$8,210 was reclassified from reserves to share capital on exercise of warrants.

The Company granted 3,030,330 warrants valued at \$510,877 to Emerald Health Therapeutics Inc. as consideration for a supply and distribution agreement.

Stock options

The Company has adopted an incentive share purchase option plan under the rules of the Exchange pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of ten years and generally vest either immediately or in specified increments of up to 25% in any three-month period.

10. SHAREHOLDERS' EQUITY (continued)

The changes in share options including those granted to directors, officers, employees and consultants during the nine months ended September 30, 2019 and year ended December 31, 2018 are summarized as follows:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning Balance	2,539,000	\$0.23	2,420,000	\$0.24
Options granted	1,035,000	\$0.07	665,000	\$0.23
Expired/Cancelled	(319,000)	\$0.22	(415,000)	\$0.24
Exercised	(73,928)	\$0.28	(131,000)	\$0.23
Ending Balance	3,181,072	\$0.18	2,539,000	\$0.23
Exercisable	3,181,072	\$0.18	2,536,500	\$0.23

The following table summarizes information about share options outstanding and exercisable as at September 30, 2019:

Exercise Price	Expiry date	Options	
		Outstanding	Exercisable
\$0.15	July 20, 2022	150,000	150,000
\$0.15	September 27, 2022	150,000	150,000
\$0.15	November 20, 2022	150,000	150,000
\$0.28	December 8, 2022	1,181,072	1,178,572
\$0.24	March 27, 2023	200,000	200,000
\$0.21	April 11, 2023	175,000	175,000
\$0.125	September 12, 2023	140,000	140,000
\$0.075	January 24, 2024	280,000	280,000
\$0.08	February 28, 2024	140,000	140,000
\$0.06	April 1, 2024	615,000	615,000
		3,181,072	3,178,572

Share-based compensation

Share-based compensation of \$nil and \$58,525 was recognized during the three and nine months ended September 30, 2019 (2018 - \$9,300 and \$333,601) for stock options granted and vested during the current period. Options issued to directors and officers of the Company vested immediately, while those issued to consultants vest over one year, however, the Board may change such provisions at its discretion or as required on a grant-by-grant basis.

Share-based payments for options granted was measured using the Black-Scholes option pricing model with the following assumptions:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Expected life	5.0 years	5.0 years
Volatility	141% - 143%	142% - 157%
Dividend yield	0%	0%
Risk-free interest rate	1.58% - 1.86%	2.03% - 2.24%

10. SHAREHOLDERS' EQUITY (continued)

Option pricing models require the use of highly subjective estimates and assumptions, including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

Warrants

The Company has issued warrants entitling the holders to acquire common shares of the Company. The summary of changes in warrants is presented below.

	Nine months ended September 30, 2019		Year ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning Balance	13,852,264	\$0.28	8,381,326	\$0.20
Warrants issued	6,852,400	\$0.15	8,446,438	\$0.33
Exercised	-	-	(2,975,500)	\$0.20
Outstanding	20,704,664	\$0.24	13,852,264	\$0.28

The following table summarizes information about warrants outstanding and exercisable as at September 30, 2019:

Exercise Price	Expiry date	Warrants Outstanding
\$0.20	June 26, 2022	1,791,159
\$0.20	August 3, 2022	742,667
\$0.20	November 27, 2022	2,872,000
\$0.15	August 13, 2021	6,852,400
\$0.33	April 15, 2020	3,030,303
\$0.33	July 31, 2020	5,416,135
		20,704,664

During the year ended December 31, 2018, the fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions:

	Year ended December 31, 2018
Expected life	2.0 years
Volatility	154% - 169%
Dividend yield	0%
Risk-free interest rate	2.05% - 2.10%

11. PRODUCT REGISTRATION AND DEVELOPMENT

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Payroll	98	49,645	4,999	179,761
Product registration and licensing fees	-	20,753	-	38,469
	98	70,398	4,999	218,230

12. SELLING AND MARKETING EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Payroll (sales personnel)	11,045	41,757	68,803	132,244
Marketing and advertising	-	117,040	174,929	321,055
Distribution	5,968	33,077	28,541	90,495
Travel	-	-	-	983
	17,013	191,874	272,273	544,777

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Bank service charges	1,825	962	4,271	2,734
Filing and registration fees	9,638	23,591	65,180	64,067
Foreign exchange	(254)	(149)	64	(307)
Insurance	4,660	(135)	24,844	13,431
Office maintenance	19,575	25,675	44,820	56,497
Payroll	-	459	-	30,534
Rent	13,264	12,740	38,743	37,597
Shareholder communications	41,930	-	46,930	15,082
Travel	4,901	4,468	30,976	29,077
	95,539	67,611	255,828	248,712

14. RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2019 and 2018, the Company recorded the following transactions with related parties:

- \$37,500 and \$112,500 in management fees to the Chief Executive Officer of the Company (2018 - \$37,500 and \$112,500 in salaries and benefits).
- \$10,000 and \$40,000 in consulting fees to the Executive Vice-President of Branding, Strategic Communications and Public Affairs (2018 - \$nil and \$nil).
- \$nil and \$35,000 in consulting fees to a company controlled by a Senior Advisor to the Board of Directors (2018 - \$nil and \$nil).
- \$45,263 and \$45,263 in professional fees to a company controlled by the Chief Financial Officer of the Company (2018 - \$nil and \$nil)
- \$30,220 and \$30,220 in consulting fees to a Company of which a former Chief Financial Officer and former Corporate Secretary of the Company are employees (2018 - \$nil and \$nil).
- \$nil and \$14,000 in professional fees to a Company controlled by a former Chief Financial Officer (2018 - \$19,333 and \$44,333).

14. RELATED PARTY TRANSACTIONS (continued)

Related party transactions not otherwise described in the consolidated financial statements are shown below. The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, consist of the following:

	Three months ended September		Nine months ended September	
	2019	2018	2019	2018
	\$	\$	\$	\$
Professional fees	45,263	19,333	59,263	44,333
Management fees	37,500	-	112,500	-
Consulting fees	30,000	-	105,220	-
Salaries and benefits	-	68,599	-	222,730
Share-based compensation	-	(17,256)	58,525	266,867
	112,763	70,676	335,508	533,930

As at September 30, 2019 the following amounts due to related parties were included in accounts payable and accrued liabilities.

Due to	September 30, 2019	December 31, 2018
	\$	\$
President and former Chief Executive Officer	103,445	-
Chief Executive Officer	31,500	-
Company controlled by a Senior Advisor to the Board	14,690	-
Balance, end of period	149,635	-

As at September 30, 2019 prepaid expenses included a balance of \$25,988 professional fee paid to a company controlled by the CFO of the Company.

15. CAPITAL DISCLOSURES

The Company includes shareholders' equity in the definition of capital. The Company's objective when managing capital is to maintain sufficient cash resources to support its day-to-day operations. The availability of capital is solely through the issuance of the Company's common shares. The Company will not issue additional equity until such time when funds are needed and the market conditions become favorable to the Company. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize its dilution to its shareholders.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019.

16. COMMITMENTS

Leased premises

The Company has entered into contracts for leased premises, which expire in 2018. In September 2017, the Company extended the lease. Total future minimum lease payments under these contracts are as follows:

	September 30, 2019
	\$
Within 1 year	38,219
2 years	58,602
	96,821

17. SEGMENTED INFORMATION

The company has the following business divisions:

- **Products Business Division**
Marketing and distribution of generic and over-the-counter (OTC) pharmaceutical products and, through the Company's Corozon Platform, the distribution of point of care screening devices and related supplies and training materials.
- **Healthtab - Point of Care Business Division**
Point of care screening services provided through the Company's HealthTab system and software platform.

Summarized financial information concerning reportable segments is shown in the following tables. As at September 30, 2019:

	Products	HealthTab	Total
	\$	\$	\$
Accounts receivable	55,094	1,347	56,441
Equipment	16,279	-	16,279
Intangible assets	2	1	3
Accounts payable	71,375	1,348	72,723

17. SEGMENTED INFORMATION (continued)

PRODUCTS	Nine months ended September 30,	
	2019	2018
	\$	\$
Revenue		
Sales	131,726	492,134
Marketing, promotional incentives	(69,137)	(188,688)
Net sales	62,589	303,446
Cost of Sales	33,081	187,243
Gross Profit (loss)	29,508	116,203
Expenses		
Amortization	116,875	100,796
Consulting	404,375	
General and administrative	249,303	544,102
Management Fees	112,500	
Product registration and development	4,999	218,230
Professional fees	199,253	170,384
Selling and marketing	272,273	544,146
Share-based compensation	58,525	-
	1,418,103	1,577,658
Other income (expense)		
Write down of inventories	(109,941)	-
Write down of intangible assets	(313,514)	-
Other (loss) income	5,993	-
Net loss and comprehensive loss for the period	(1,806,057)	(1,461,455)

HEALTHTAB	September 30,	September 30,
	2019	2018
	\$	\$
Revenue		
Sales	24,676	8,478
Net sales	24,676	8,478
Cost of Sales	11,488	12,292
Gross Profit (loss)	13,190	(3,814)
Expenses		
Amortization	66	339,321
General and administrative	6,525	70,561
Professional fees	391	676
Selling and marketing	-	631
	6,982	411,189
Net loss and comprehensive loss for the period	6,208	(415,003)

18. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2019 the Company:

Issued in total 1,111,110 common shares valued at \$200,000 related to the acquisition of HealthTab (Notes 4 and 11).

Issued 125,081 shares to Lampyon Canada Inc valued at \$11,167

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and asset acquisition liability. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held through a large Canadian financial institution. The cash equivalent is composed of a guaranteed investment certificate and is issued by a Canadian bank with high investment-grade ratings. The Company does not have financial assets that are invested in asset-backed commercial paper.

The Company performs ongoing credit evaluations of its accounts receivable, but does not require collateral. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers and historical data.

Approximately 45% of trade receivables are due from one customer at September 30, 2019 (December 31, 2018 – 51% from one customer).

Pursuant to their collective terms, accounts receivable from customers were aged as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Not past due	-	193,448
Under 30 days past due	-	27,266
31 – 90 days past due	6,118	3,881
Over 90 days past due	31,008	55,685
	37,126	280,280

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company monitors its spending plans, repayment obligations and cash resources, and takes actions with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. To facilitate its expenditure program, the Company raises funds primarily through public equity financing. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at September 30 2019, the Company's financial liabilities were comprised of accounts payable and accrued liabilities of \$598,546 (December 31, 2018 - \$314,239). *(Note 20 Subsequent events)*

c) Market risk

Market risk for the Company consists of currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while maximizing returns.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As all of the Company's purchases and sales are denominated in Canadian dollars, and it has no significant cash balances denominated in foreign currencies, the Company is not exposed to foreign currency risk at this time.

Interest rate risk

Interest rate risk is the risk that fair values or future cash flows will fluctuate as a result of changes in market interest rates. In respect of financial assets, the Company's policy is to invest cash at floating interest rates and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders.

The Company is not exposed to significant interest rate risk.

d) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

Cash and cash equivalents are measured at fair value. For accounts receivable, accounts payable, accrued liabilities and asset acquisition liability carrying amounts approximate fair value due to their short-term maturity;

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Level 1:

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities and amounts resulting from direct arm's length transactions.

Cash and cash equivalents are valued using quoted market prices or from amounts resulting from direct arm's length transactions. As a result, these financial assets have been included in Level 1 of the fair value hierarchy.

Level 2:

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term. Derivatives are included in Level 2 of the fair value hierarchy as they are valued using price models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, yield curves and credit spreads. The Company has no financial instruments at this level.

Level 3:

Inputs for the asset or liability are not based on observable market data. Currently, the Company has no financial instruments at this level.

20. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2019 following events occurred:

- a) the Company granted 2,060,000 stock options to directors and consultants with an exercise price of \$0.05 and a five-year term. The options vested immediately upon grant.
- b) The Company issued a secured promissory note in the amount of \$91,000 to the head of Healthtab in lieu of amounts owing. The promissory note matures on December 31, 2019 and is secured by the Healthtab intellectual property, trademarks, web domains and equipment.