



# **CardioComm Solutions, Inc.**

**Interim Financial Statements**

**For the quarter ended March 31, 2019**

**CardioComm Solutions, Inc.**

**Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

**CardioComm Solutions, Inc.**  
**Statements of financial position**  
**As at March 31, 2019 and December 31, 2018**  
**Expressed in Canadian dollars, Unaudited – prepared by management**

	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 185,551	\$ 139,782
Accounts receivable	6, 11	639,812	691,650
Inventory	7	78,610	100,317
Prepaid expenses and deposits		140,167	148,971
		<u>1,044,140</u>	1,080,720
<b>Non-current assets</b>			
Property and equipment	8	6,070	9,076
		<u>6,070</u>	9,076
<b>TOTAL ASSETS</b>		<b>\$ 1,050,210</b>	<b>\$ 1,089,796</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	9, 11	\$ 291,428	\$ 311,115
Short-term notes payable	10, 11	600,000	600,000
Deferred revenue		255,264	247,094
		<u>1,146,692</u>	1,050,097
<b>Total liabilities</b>		<b>1,146,692</b>	<b>1,050,097</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	12	29,568,261	29,419,596
Other equity reserve	12	4,353,511	4,353,511
Warrant reserve	12	148,729	184,894
Accumulated deficit		(34,166,983)	(34,026,414)
		<u>(96,482)</u>	(68,413)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 1,050,210</b>	<b>\$ 1,089,796</b>

Nature of operations (Note 1)

Going concern assumption (Note 2)

Approved on May 30, 2019, on behalf of the Board of Directors:

"Etienne Grima"  
Etienne Grima

Director

"Robert Caines"  
Robert Caines

Director

*The accompanying notes are an integral part of these financial statements.*

**CardioComm Solutions, Inc.**

**Statements of income (loss) and other comprehensive income (loss)  
For the quarters ended March 31, 2019 and 2018  
Expressed in Canadian dollars, Unaudited – prepared by management**

	Note	March 31, 2019	March 31, 2018
<b>Revenue</b>			
Software licensing		\$ 110,487	\$ 105,251
Hardware sales		74,312	132,904
Service and support		28,777	40,817
Contract services		2,571	35,124
		<u>216,147</u>	<u>314,096</u>
<b>Cost of software and hardware sales</b>		<u>47,439</u>	<u>84,084</u>
<b>Gross profit</b>		<b>168,708</b>	<b>230,012</b>
<b>Operating expenses</b>			
Advertising and promotion		12,973	171
Audit and accounting fees		7,500	6,500
Bad debts expense		486	--
Contractors	11	10,000	7,000
Depreciation	8	3,006	1,664
Directors' fees	11	9,425	5,050
Foreign exchange (gain) loss		3,471	(12,069)
Insurance		8,560	8,352
Interest and bank charges	11	15,337	14,547
Legal fees		5,047	4,751
Office and miscellaneous		2,560	2,444
Professional fees	11	27,825	31,933
Rent	3	9,833	9,833
Regulatory		10,518	12,052
Research and development		14,250	22,500
Salaries and wages	11	140,894	146,343
Share-based compensation	11, 12	--	--
Telephone and utilities		18,915	1,169
Transfer agent and filing fees		7,274	--
Travel		1,403	10,495
		<u>309,277</u>	<u>301,064</u>
<b>Net income (loss) and comprehensive income (loss) for the year</b>		<u><b>(140,569)</b></u>	<u><b>(71,052)</b></u>
<b>Basic and diluted income (loss) per common share (no par value)</b>		<u><b>\$ (0.00)</b></u>	<u><b>\$ (0.00)</b></u>
<b>Weighted average number of common shares outstanding - basic</b>		<b>137,982,037</b>	<b>137,216,292</b>
<b>Weighted average number of common shares outstanding - diluted</b>		<b>137,982,037</b>	<b>137,216,292</b>

*The accompanying notes are an integral part of these financial statements.*

**CardioComm Solutions, Inc.**

**Statements of changes in shareholders' equity (deficiency)**

**For the quarters ended March 31, 2019 and 2018**

**Expressed in Canadian dollars, Unaudited – prepared by management**

Quarter	Shares	Share capital	Other equity reserve	Warrant reserve	Deficit	Total shareholders' equity (deficiency)
Balance, beginning of year	137,439,815	29,419,596	4,353,511	184,894	(34,026,414)	(68,413)
Net loss	--	--	--	--	(140,569)	(140,569)
Exercise of warrants	1,500,000	148,665	--	(36,165)	--	112,500
<b>Balance, March 31, 2019</b>	<b>139,939,815</b>	<b>29,568,261</b>	<b>4,353,511</b>	<b>148,729</b>	<b>(34,166,983)</b>	<b>(98,482)</b>

Quarter	Shares	Share capital	Other equity reserve	Warrant reserve	Deficit	Total shareholders' equity (deficiency)
Balance, beginning of year	137,213,815	29,439,288	4,330,211	169,167	(33,449,350)	489,316
Net loss	--	--	--	--	(71,052)	(71,052)
Balance, March 31, 2018	137,213,815	29,439,289	4,330,211	169,167	(33,520,402)	418,264
Net loss	--	--	--	--	(189,440)	(189,440)
Stock option vesting	--	--	2,509	--	--	2,509
Balance, June 30, 2018	137,213,815	29,439,289	4,332,719	169,167	(33,709,842)	231,333
Net loss	--	--	--	--	(91,900)	(91,900)
Expired warrants	--	--	15,266	(15,266)	--	--
Balance, September 30, 2018	137,213,815	29,439,289	4,347,985	153,901	(33,801,741)	139,433
Net loss	--	--	--	--	(224,672)	(224,672)
Shares issued as payment	226,000	11,300	--	--	--	11,300
Share-based compensation	--	--	5,525	--	--	5,525
Revaluation of warrants	--	(30,993)	--	30,993	--	--
Balance, December 31, 2018	137,439,815	29,419,596	4,353,511	184,894	(34,026,414)	(68,413)

*The accompanying notes are an integral part of these financial statements.*

**CardioComm Solutions, Inc.****Statements of cash flows****For the 3 months ended March 31, 2018 and March 31, 2018****Expressed in Canadian dollars, Unaudited – prepared by management**

	Note	March 31, 2019	March 31, 2018
<b>Cash flows from operating activities</b>			
Net (loss) income		\$ (140,569)	\$ (71,052)
Items not affecting cash			
Share-based compensation	11, 16	--	--
Depreciation		3,006	1,664
Shares issued for advertising and promotion	16	--	--
Unrealized (gain) loss on foreign exchange		5,374	(9,540)
Fair value of exercised warrants			
Non-cash working capital item changes			
Settlement receivable		--	(2,059)
Accounts receivable		46,464	(55,222)
Inventory		21,707	17,144
Prepaid expenses and deposits		8,804	(14,686)
Trade payables and accrued liabilities		(19,687)	44,902
Due to related parties		--	10,461
Deferred revenue		8,170	(68,314)
Net cash used in operating activities		<u>(66,731)</u>	<u>(137,162)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment		--	(7,471)
Net cash used in investing activities		<u>--</u>	<u>(7,471)</u>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of warrants	12	112,500	--
Net cash from financing activities		<u>112,500</u>	<u>--</u>
<b>Net change in cash and cash equivalents</b>		<b>45,769</b>	<b>(144,633)</b>
Cash and cash equivalents, beginning of quarter		<u>139,782</u>	<u>348,524</u>
<b>Cash and cash equivalents, end of quarter</b>		<b><u>185,551</u></b>	<b><u>203,891</u></b>
<b>Cash (paid) received for</b>			
Interest		\$ (15,038)	\$ (14,795)
Taxes		--	--

The accompanying notes are an integral part of these financial statements.

**CardioComm Solutions, Inc.**

**Notes to the financial statements**

**As at March 31, 2019**

**Expressed in Canadian dollars, Unaudited – prepared by management**

**1. Nature of operations**

The financial statements represent the accounts of CardioComm Solutions, Inc. (incorporated in British Columbia) (the “Company”). The Company develops advanced software, hardware and core laboratory reading services related to electrocardiogram (“ECG”) and ambulatory arrhythmia monitoring systems for medical and consumer markets globally. The head office and principal address of the Company is located at 259 Yorkland Road, Suite 200, North York, Ontario, M2J 0B5. The records office of the Company is 600 – 1090 West Georgia Street, Vancouver, BC V6E 3V7. The shares of the Company are listed on the TSX Venture Exchange as EKG.

These financial statements have been approved and authorized for issue by the Board of Directors of the Company on May 30, 2019.

**2. Going concern assumption**

These financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The net loss for the quarter year ended March 31, 2019 was (\$140,569) and a net loss for the quarter ended March 31, 2018 (\$71,052). Working capital as at March 31, 2019 was negative (\$102,552) compared to March 31, 2018 of \$410,052.

In order to address these uncertainties, the Company evaluates on an ongoing basis some or all of the following measures:

Continue the process of renewing contracts

Reduce operating costs with contractor lay-offs, curtail travel and implement temporary salary reductions

Seek debt financing as required

Seek equity financing consisting of common shares and stock purchase warrants as required

Evaluate possible M&A opportunities as they are presented

The Company believes that if it were to be successful in implementing some or all of the above risk mitigating measures; it will be able to continue as a going concern. There remains, however, significant risk and uncertainty associated with implementing any of these measures which are dependent on a number of factors outside of the Company’s control. The material uncertainty cast significant doubt regarding the ability to continue as a going concern.

These financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

**3. New standards adopted as at 1 January 2019**

**a) IFRS 16 - Leases (“IFRS 16”)**

IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For vendor contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the

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Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 10.0%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognized at 1 January 2019. The operating lease, inception 1 October 2011 is for 10 years and ends 1 October 2021.

<b>Total operating lease commitments disclosed at 31 December 2018</b>	<b>\$62,172</b>
Recognition exemptions:	
• Leases of low value assets (62,172)	
<b>Total lease liabilities recognized under IFRS 16 as 1 January 2019</b>	<b>NIL</b>

**4. Summary of accounting policies and statement of compliance with IFRS**

**a) Statement of compliance**

These financial statements were prepared in accordance with 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 policies have been applied throughout the year unless otherwise stated. The following is a list of significant accounting policies.

**b) General**

The financial statements are presented in Canadian dollars, which is the functional currency of the Company, and have been prepared and measured at historical cost, except for certain financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired and liabilities assumed. In addition, these financial statements have been prepared using the accrual basis for accounting, except for certain cash flow information.

**c) Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company’s significant accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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The following are the critical accounting judgments and the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Critical Judgments**

*Going concern*

The Company's ability to continue as a going concern is dependent on securing additional and immediate financing and on achieving and maintaining profitable operations. Management has to assess the outcome of these matters when preparing the Company's financial statements. The Company's current level of operations is not sufficient to cover its expenses and ongoing commitments, resulting in the negative cash flows generated from its operating activities. The Company's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Company has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants, convertible notes, convertible debentures and demand loans. However, there is no guarantee that such financing will be available going forward (refer to note 2).

*Functional currency*

The preparation of these financial statements requires management to make judgments regarding the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company has been determined to be the Canadian dollar.

**Key Sources of Estimation Uncertainty**

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

*Tax credits on research and development expenses*

Research and development investment tax credits ("ITCs"), which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense or cost of the asset acquired when there is reasonable assurance that they will be realized. No claims for ITCs were made in 2018.

*Research and development expenditures*

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet certain criteria for deferral and amortization. At each reporting date, the Company assesses whether it has met the relevant criteria for deferral and amortization. In 2017 and 2018, the criteria for such claims were not met.

*Share-based payments and warrant valuations*

Share-based payments and warrant valuations involves the valuation of grants of stock options. The Company relies on the fair value obtained by applying the Black - Scholes option pricing model. This model requires making assumptions related to the risk-free interest rate (with a term that matches the expected life of the options), the expected stock price volatility, the expected life of the options and warrants and the expected dividend yield on the Company's shares. Management also has to estimate the number of

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options and warrants that will eventually vest. Management relies on past experience to make these estimates.

*Fair value of financial instruments*

Financial instruments are presented at fair value. In the absence of active markets in the evaluation of financial assets and financial liabilities, the Company relies on evaluation techniques based on inputs that are not based on observable market data which could cause the actual results to differ from the estimates.

*Recognition of deferred tax assets and liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized.

*Lease*

As described in Note 3, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

*Useful life of property and equipment*

Property and equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

*Deferred revenue*

Deferred revenue is calculated on services and support revenue and is calculated based on the portion of the contract relating to future periods.

*Inventory obsolescence*

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

*Allowance for doubtful accounts*

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable, and also looks at specific account balances in determining the allowance.

*Accounting policy applicable from 1 January 2019*

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

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- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

*Accounting policy applicable before 1 January 2019*

*Finance leases*

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term. For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life. See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

*Operating leases*

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All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

**d) Cash and cash equivalents**

Cash and cash equivalents includes cash and highly liquid investments that are readily converted into known amounts of cash and subject to insignificant risk of changes in value.

**e) Inventory**

Inventories are valued at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimate costs necessary to make the sale.

Inventories include the cost of materials purchased, the cost of conversion, as well as other costs required to bring the inventories to their present location and condition.

**f) Revenue recognition**

The Company recognizes revenue when it has persuasive evidence of a contract, performance obligations have been identified and satisfied, payment terms have been identified, and it is probable that the Company will collect the consideration it is entitled to.

In addition to this general policy, the following are the specific revenue recognition policies for each major category of revenue:

Revenue from the sale of proprietary software is recognized when title is transferred to the customer and customer acceptance is established. Shipping and handling costs paid by the customer to the Company are included in revenue.

Revenues derived from ongoing service and maintenance contracts are recognized over the term of the contract on a straight-line basis and are net of discounts. Other service revenue is recognized at the time the service is performed.

Revenues derived from hardware sales when title is transferred to the customer and customer acceptance is established. Shipping and handling costs paid by the customer to the Company are included in revenue.

Multiple-element arrangements:

The Company also has multiple-element sales arrangements where software licenses, the associated post-contract services ("PCS") and other services are sold together.

The Company has established vendor-specific objective evidence ("VSOE") of the fair value of PCS for specific customer classes based on the value of PCS when sold separately as an optional renewal after the expiry of the initial maintenance term or based on contracted prices for optional PCS renewals included in the original multiple element sales arrangement.

The Company uses the residual method to determine the fair value of the services and software licenses if VSOE of the fair value of all undelivered elements exists. Under the residual method, the fair value of the undelivered elements is deferred, and the remaining portion of the arrangement fee is recognized as revenue. In such cases, when vendor-specific objective evidence of fair value exists for all of the undelivered elements (most commonly PCS), the residual amount is recognized as revenue and the PCS is recognized ratably over the PCS term, which is typically 12 months.

**g) Investment tax credits**

The Company records investment tax credits when it believes it has complied with the eligibility requirements as set out in the income tax legislation of Canada and its provinces and collection is

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reasonably assured. Refundable investment tax credits are presented in reduction of research and development expenses in the statements of loss and comprehensive loss. Investment tax credits related to capital expenditures are recorded as reductions of capital assets.

**h) Property and equipment**

Property and equipment are stated at historical cost less accumulated amortization, impairment losses and related tax credits. Historical cost includes all costs directly attributable to the acquisition. Computer equipment cost includes software that is integral to its functionality.

Useful lives, residual values and amortization methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset	Rate
Computer hardware	3-5 years
Office equipment	3-5 years
Leasehold improvements	4 years
Furniture and fixtures	4 years
Computer software	1-3 years

**i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortized cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

**j) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

**k) Income (loss) per share**

Net income (loss) per common share has been computed by dividing the income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective periods. Dilutive income (loss) per share is calculated by dividing the applicable net loss by the sum of the weighted average number of shares outstanding during the period and all additional common

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shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

**l) Foreign currency transaction**

The Company's functional and presentation currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the statement of financial position date. Non-monetary items are translated at rates of exchange in effect when the amounts were acquired, or obligations incurred. Revenues and expenses are translated at an average exchange rate for the period. Foreign currency gains and losses resulting from these translation adjustments are included in the determination of profit or loss.

**m) Income taxes:**

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions

**n) Financial instruments**

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

**Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**Measurement**

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

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Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**Derecognition**

**Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

**Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

<b>Asset or liability</b>	<b>Category</b>	<b>Measurement</b>
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost

**CardioComm Solutions, Inc.**

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Accounts payable	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents is measured at fair value using Level 1 inputs.

**5. Cash and cash equivalents**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Cash	\$ 135,551	\$ 39,782
Guaranteed investment certificates (GIC)	50,000	100,000
	<b>\$ 185,551</b>	<b>\$ 139,782</b>

GICs are cashable without any penalties and therefore are presented as a cash equivalent in the Statement of Financial Position.

The GICs bear an interest rate of 0.95% and mature on June 27, 2019.

**CardioComm Solutions, Inc.****Notes to the financial statements****As at March 31, 2019****Expressed in Canadian dollars, Unaudited – prepared by management****6. Accounts receivable**

All amounts are due in the short-term. The net carrying amounts are a reasonable approximation of their fair value.

As at March 31, 2019 and December 31, 2018, certain customer balances became past due. These receivables were mainly from long-standing customers. The aging of the accounts receivable is as follows:

	March 31, 2019	December 31, 2018
0 – 30 days	\$ 75,467	\$ 71,362
31 – 60 days	10,209	47,127
61 – 90 days	23,244	33,859
91 + days	532,112	562,478
Allowance for doubtful accounts	(23,176)	(23,176)
	\$ 639,812	\$ 691,650

**7. Inventory**

There were no adjustments to inventory during the quarter ended March 31, 2019. The amount of inventory expensed during the quarter was \$47,439. In 2018, adjustments of \$30,421 were made to inventory to reflect changes to pricing and some write-downs. In 2018, the amount of inventory expensed during 2018 was \$297,332.

**8. Property and equipment**

	Computer Hardware	Office Equipment	Computer Software	Total
<b><u>Cost</u></b>				
Balance at December 31, 2017	\$ 417,138	\$ 138,590	\$ 259,670	\$ 815,398
Additions	2,499	--	13,711	16,210
Balance at December 31, 2018	419,637	138,590	273,381	831,608
Additions	--	--	--	--
<b>Balance at March 31, 2019</b>	<b>419,637</b>	<b>138,590</b>	<b>273,381</b>	<b>831,608</b>
<b><u>Accumulated Amortization</u></b>				
Balance at December 31, 2017	415,699	138,590	258,704	812,993
Amortization	1,152	--	8,387	9,539
Balance at December 31, 2018	416,851	138,590	267,091	822,532
Amortization	814	--	2,193	3,006
<b>Balance at March 31, 2019</b>	<b>417,664</b>	<b>138,590</b>	<b>269,284</b>	<b>825,538</b>
<b><u>Net Book Value</u></b>				
December 31, 2018	\$ 2,786	\$ --	\$ 6,290	\$ 9,076
<b>March 31, 2019</b>	<b>\$ 1,973</b>	<b>\$ --</b>	<b>\$ 4,097</b>	<b>\$ 6,070</b>

**CardioComm Solutions, Inc.****Notes to the financial statements****As at March 31, 2019****Expressed in Canadian dollars, Unaudited – prepared by management****9. Trades payable and accrued liabilities**

	<b>Note</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Trades payable	11	<b>235,696</b>	\$ 242,551
Accrued liabilities		<b>18,500</b>	38,465
Sales taxes payable		<b>37,232</b>	30,099
		<b>291,428</b>	\$ 311,115

**10. Short-term notes payable**

The notes payable have an interest rate of 10% per annum. On April 1, 2019, the Company reduced the total short-term note payable amount by \$100,000 (refer to Note 16). Current debtholders have extended \$100,000 of the loan to December 2019 and \$400,000 to December 2020.

During the quarter ending March 31, 2019, the Company incurred interest expense of \$15,038 on these loans. As at March 31, 2019, NIL interest payable is included in accounts payable as payment was made in full by the end of the quarter (refer to Note 11 for related parties).

During the year ended December 31, 2018, the Company incurred interest of \$60,000 of interest expense on these loans. As at December 31, 2018, \$15,123 of interest payable was included in accounts payable with \$3,781 of interest payable is due to related parties (refer to Note 11).

	<b>Note</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Family member of the CEO	11	<b>150,000</b>	\$ 150,000
Director	11	<b>100,000</b>	100,000
Third parties		<b>350,000</b>	350,000
		<b>\$ 600,000</b>	\$ 600,000

**11. Related party transactions**

Related parties and related party transactions impacting the financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

**Key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

**CardioComm Solutions, Inc.****Notes to the financial statements****As at March 31, 2019****Expressed in Canadian dollars, Unaudited – prepared by management**

Remuneration attributed to key management personnel for the quarter ended March 31, 2019 and for the year December 31, 2018 is summarized as follows:

	<b>Note</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Share-based compensation	11, 16	\$ --	\$ 8,034
Salaries <sup>(1)</sup>		<b>45,000</b>	180,000
Contractors		<b>10,000</b>	40,000
Directors' fees		<b>9,425</b>	38,390
Professional fees		--	25,000
		<b>\$55,000</b>	\$ 291,424

(1) The Company paid an additional \$28,250 in 2018 to ITF Consultants, a company managed by the CEO.

Amounts due to and from related parties during the quarter ended March 31, 2019 included the following:

- Short-term notes payable totalling \$250,000 are due to related parties. No interest was outstanding on the loan at the end of the quarter.
- Amounts due to related parties as at March 31, 2019 \$38,708 are due to the various members of management and the Board of Directors. As at March 31, 2019 these amounts were included in accounts payable.
- Included in accounts receivable of March 31, 2019 is \$2,348 owed by a company managed by the CEO.
- In February 2019, the Company issued 400,000 common shares upon the exercise of warrants at an exercise price of \$0.075 per warrant. Total cash received was \$30,000 to a family member of the CEO.

Other than the notes payable and accrued interest as discussed in Note 10, amounts due to and from related parties are non-interest bearing with no set terms of repayment.

**12. Share capital****a) Common shares**

The Company is authorized to issue an unlimited number of common shares with no par value, issuable in series.

**Activity during the first quarter ended March 31, 2019**

In February 2019, the Company issued 1,500,000 common shares upon the exercise of warrants at an exercise price of \$0.075 per warrant. Total cash received was \$112,500.

**Activity in 2018**

During the year ended December 31, 2018, the Company issued 226,000 common shares at \$0.05 per share for advertising and promotion of \$10,000 and HST of \$1,300.

**b) Other equity reserve**

Other equity reserve consists of expired, unexercised warrants and the cumulative stock-based compensation expenses that are recognized through the issuance of stock options.

**c) Warrant reserve**

Warrant reserve contains the allocation of share issuance proceeds for amounts attributed to the value of outstanding warrants, and the fair value of outstanding and unexpired agent warrants.

**CardioComm Solutions, Inc.****Notes to the financial statements****As at March 31, 2019****Expressed in Canadian dollars, Unaudited – prepared by management****d) Warrants:**

The following is a summary of warrant activities during the quarter ended March 31, 2019 and for the year ended 2018:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	10,146,000	\$ 0.08
Expired	(2,700,000)	\$ 0.08
Outstanding, December 31, 2018	7,446,000	\$ 0.08
Exercised <sup>(1)</sup>	(1,500,000)	\$0.08
Expired	--	--
<b>Outstanding, March 31, 2019</b>	<b>5,946,000</b>	<b>\$ 0.08</b>

(1) In February 2019, the Company issued 1,500,000 common shares upon the exercise of warrants at an exercise price of \$0.075 per warrant. Total cash received was \$112,500. One of the warrant holders, who exercised 400,000 warrants (\$30,000), is a family member of the CEO.

As at March 31, 2019, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
4,376,500	\$0.075	1.73	December 23, 2020 <sup>(2)</sup>
269,500 <sup>(1)</sup>	\$0.075	1.73	December 23, 2020 <sup>(2)</sup>
1,300,000	\$0.075	1.85	February 3, 2021 <sup>(3)</sup>

<sup>1</sup> Agent warrants.

<sup>2</sup> On September 8, 2018, the warrants were extended to December 23, 2020. As a result of the extension to the terms, the warrants were revalued, resulting in an additional \$24,106 being added to the fair value of these warrants. The adjusted fair value was calculated using the Black-Scholes Option Pricing Model, with a volatility of 158%, expected life of 4 years, discount rate of 1.1% and dividend rate of 0%.

<sup>3</sup> On September 8, 2018, the warrants were extended to February 3, 2021. As a result of the extension to the terms, the warrants were revalued, resulting in an additional \$6,887 being added to the fair value of these warrants. The adjusted fair value was calculated using the Black-Scholes Option Pricing.

**e) Stock options:**

The Company has an incentive stock option plan (the "Plan") to grant options to employees, officers, directors and consultants of the Company. The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of the Company. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the board of directors of the Company.

The following is a summary of stock option activities during the quarter ended March 31, 2019 and for the year ended December 31, 2018:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding, December 31, 2017	6,367,520	\$0.15
Granted	250,000	\$0.05
Exercised	--	--
Expired	(1,950,000)	\$0.23
Outstanding, December 31, 2018	4,667,520	\$0.12
Granted	--	--
Expired	(567,460)	\$0.17
<b>Outstanding, March 31, 2019</b>	<b>4,100,060</b>	<b>\$0.11</b>

**CardioComm Solutions, Inc.****Notes to the financial statements****As at March 31, 2019****Expressed in Canadian dollars, Unaudited – prepared by management**

At March 31, 2019, the following stock options were outstanding:

<b>Outstanding</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Remaining Life (Years)</b>	<b>Expiry Date</b>
1,450,000	1,450,000	\$0.10	0.30	July 18, 2019
150,000	150,000	\$0.10	0.85	February 3, 2020
550,000	550,000	\$0.14	0.89	February 18, 2020
1,050,060	1,050,060	\$0.14	1.26	July 3, 2020
250,000	250,000	\$0.08	1.51	October 1, 2020
100,000	100,000	\$0.07	1.68	December 5, 2020
300,000	300,000	\$0.08	2.65	November 22, 2021
62,500	62,500	\$0.05	4.16	May 28, 2023
187,500	187,500	\$0.05	4.60	November 5, 2023
<b>4,100,060</b>	<b>4,100,060</b>	<b>\$0.11</b>	<b>1.18</b>	

**f) Share-based compensation**

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. For the quarter ended March 31, 2019, the Company recorded share-based compensation expense of \$NIL (2018: \$8,034) for options vesting during the year. During the quarter ended March 31, 2019, the Company granted NIL options and during the year ended December 31, 2018, the Company granted 250,000 options with a fair value of \$0.05 per option (per option). The options were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Risk-free interest rate	<b>2.24%</b>	2.24%
Expected dividend yield	<b>0%</b>	0%
Volatility	<b>100.47%</b>	100.47%
Expected life	<b>5 years</b>	5 years
Forfeiture rate	<b>0%</b>	0%

**13. SEGMENTED INFORMATION**

Management has determined that the Company has one operating segment, which involves the development of advanced software and sale of ECG recording equipment and ECG reading services for the cardiology field. Substantially all of the Company's operations, assets and employees are located in Canada. Revenue is earned in Canada, the United States and other countries as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Canada	<b>\$ 111,316</b>	\$ 162,401
United States	<b>103,661</b>	146,542
Other	<b>1,170</b>	5,153
	<b>\$ 216,147</b>	\$ 314,096

#### **14. CAPITAL MANAGEMENT**

The Company's objectives in managing capital are to optimize its weighted average cost of capital, and hence, maximize shareholder's value while balancing the interests of debt and shareholders.

Management's strategy of concentrating on the Company's core business, while simultaneously diversifying into other business in which the Company can leverage synergies and its core competencies, is considered concurrently with the use of capital. In the management of capital, the Company includes its components of equity.

Continuous oversight and control of the capital structure is maintained by senior management and the Board of Directors. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

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 year.

#### **15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The fair value of the Company's accounts receivables, deposits, accounts payable, short term notes payable, and amounts due to related parties approximate carrying value, due to their short-term nature. The Company's cash and cash equivalents are measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk, which includes currency risk, interest rate risk and price risk.

##### **a) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and cash equivalents and receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company has no investments in asset-backed commercial paper.

The Company's main exposure to credit risk is from its accounts receivable and is subject to the concentration of its key customers. The Company's three largest receivable balances due from its customers represent 94% of accounts receivable at March 31, 2019 (December 31, 2018 - 85%). The largest of these three customers have been transacting with the Company for many years, without any significant occurrence of losses to the Company, and as a well-established company.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash equivalents are only held at major financial institutions and management provides ongoing credit evaluations of its customers' financial condition.

Total accounts receivable, less an allowance for doubtful accounts as at March 31, 2019 amounted to \$639,812 (December 31, 2018 - \$691,650), which management believes adequately reflects the Company's credit risk. Of the reported accounts receivable, 87% is determined to be past due, which is defined as amounts outstanding beyond normal credit terms and conditions for the respective customers. The major overdue receivable is from one vendor that is a Canadian reseller of the HeartCheck™ ECG PEN. This vendor

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continues to re-order inventory on a regular basis with quarterly payments made. The Company has confirmed with the vendor that the liability for payment is accepted and so the Company believes the receivables are collectable.

**a) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its short-term financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 14. As at March 31, 2019, the Company has cash and cash equivalents, and accounts receivable of \$825,363 to settle its accounts payable (December 31, 2018 \$831,432) and short-term notes payable of \$891,428 (December 31, 2018 \$911,115). In the quarter ended March 31, 2019, the Company extended the payment date of \$500,000 of its short term notes payable to December 31, 2020, however, the Company will also need to obtain additional funds to support ongoing operating expenditures and meet its liabilities as they fall due.

**b) Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates, and commodity and equity prices.

**i. Currency risk:**

The functional currency of the Company is the Canadian dollar. The Company has sales in both Canadian and U.S dollars. As a result, the Company is exposed to foreign exchange rate risk with respects to the US dollar. As at March 31, 2019, the Company had net financial assets denominated in US dollars of approximately \$87,233. A 10% change in the Canadian dollars versus the US dollar would give rise to a gain or loss of approximately \$8,700. The Company has not entered into any foreign exchange contracts to hedge this risk.

**ii. Interest rate risk:**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of interest rate risk on its notes payable is minimal, as these have a short-term to maturity, and a fixed interest rate.

**iii. Price risk**

The Company is not exposed to significant price risk as it does hold investments in publicly traded securities.

**16. Subsequent Events**

- On April 1, 2019, the Company retired a portion of the total short-term note payable amount by \$100,000. The remaining short-term note payable of \$400,000 has been extended, and is due on December 31, 2020 with an interest rate of 10%. The remainder of \$100,000 is due on December 31, 2019.
- On April 1, 2019, the Company issued 125,000 options, vesting immediately, to the CEO pursuant to his employment contract and with an exercise price of \$0.05.
- On April 8, 2019, the Company issued 132,941 shares to a company in exchange for services.