BIONEUTRA GLOBAL CORPORATION
(Unaudited)
Interim Condensed Consolidated Financial Statements
June 30, 2018
(Expressed in Canadian Dollars)

BIONEUTRA GLOBAL CORPORATION
(Unaudited)
Interim Condensed Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	$ 5,004,004	$ 1,385,689
Accounts receivable (Note 5)	6,931,190	2,985,537
Prepaid expenses and deposits	52,639	6,377
Inventories (Note 6)	9,966,006	9,894,448
	21,953,839	14,272,051
Investment (Note 7)	508,069	508,069
Property, plant and equipment (Note 8)	14,834,484	13,596,242
Intangible assets (Note 9)	2,184,153	2,473,653
Deferred income taxes	---	120,710
	$ 39,480,545	$ 30,970,725
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,839,526	$ 6,605,430
Income taxes payable	195,000	195,000
Deferred revenue	1,183	---
Current portion of repayable government contribution (Note 12)	31,250	31,250
Current portion of mortgages payable (Note 13)	1,953,862	1,956,306
Current portion of capital lease (Note 14)	13,788	49,818
	13,034,609	8,837,804
Repayable government contribution (Note 12)	93,750	125,000
Mortgages payable (Note 13)	7,888,916	8,051,279
Deferred income taxes	1,706,254	---
	22,723,529	17,014,083
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	7,301,938	7,301,938
Warrants	358,038	358,038
Share-based compensation reserve	961,334	961,334
Accumulated other comprehensive income	1,053,126	482,423
Retained earnings	7,082,580	4,852,909
	16,757,016	13,956,642
	$ 39,480,545	$ 30,970,725

Contingencies (Note 11)
Commitments (Note 18)

Approved on behalf of the Board

Director

Director

See accompanying notes to the interim condensed consolidated financial statements

BIONEUTRA GLOBAL CORPORATION
(Unaudited)
Interim Condensed Consolidated Statement of Operations and Comprehensive Income (Loss)
For the Period Ended June 30, 2018
(Expressed in Canadian Dollars)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	**Six Months Ended June 30, 2018**	Six Months Ended June 30, 2017
Sales	**$ 12,193,507**	$ 8,889,689	**$ 22,046,553**	$ 16,242,378
Cost of sales	**8,211,162**	7,779,208	**15,038,855**	12,712,799
Gross profit	**3,982,345**	1,110,481	**7,007,698**	3,529,579
Expenses				
Salaries and benefits	**622,710**	666,985	**1,156,110**	1,298,954
General and administrative	**351,432**	301,101	**615,423**	604,882
Warehouse costs	**247,890**	247,008	**514,157**	615,362
Sales and marketing	**236,070**	31,941	**454,884**	154,807
Amortization of intangible assets	**210,120**	219,916	**415,227**	435,151
Professional fees	**201,518**	144,929	**412,498**	245,063
Interest on long-term debts	**122,089**	132,991	**222,090**	258,586
Depreciation of property, plant and equipment	**164,245**	73,772	**233,660**	146,070
Research and development	**92,375**	49,909	**163,384**	86,922
Interest and bank charges	**14,968**	12,918	**23,990**	21,867
Share-based compensation	---	241,268	---	241,268
Commissions	---	138,220	---	289,784
	2,263,417	2,260,958	**4,211,423**	4,398,716
Income (loss) before income taxes and other income (expenses)	**1,718,928**	(1,150,477)	**2,796,275**	(869,137)
Other income (expenses)				
Grants	---	18,360	---	26,678
Interest and other	---	12	**923**	7,877
Debt forgiveness	---	393,034	---	393,034
Gain on settlement of liabilities	---	---	**105,986**	---
Foreign exchange gain (loss)	**374,721**	(704,795)	**1,153,451**	(782,211)
Income (loss) before income taxes	**2,093,649**	(1,443,866)	**4,056,635**	(1,223,759)
Income taxes expense (recovery)				
- current	---	---	---	---
- deferred	**1,489,310**	(128,900)	**1,826,964**	(21,654)
	1,489,310	(128,900)	**1,826,964**	(21,654)
Net income (loss)	**604,339**	**(1,314,966)**	**2,229,671**	(1,202,105)
Other comprehensive gain (loss)				
Gain (loss) on translation to presentation currency	**236,988**	(328,539)	**570,703**	(445,104)
Comprehensive income (loss)	**$ 841,327**	$ (1,643,505)	**$ 2,800,374**	$ (1,647,209)
Earnings per share: (Note 19)				
Basic	**$ 0.01**	$ (0.03)	**$ 0.05**	$ (0.03)
Diluted	**$ 0.01**	$ (0.03)	**$ 0.05**	$ (0.03)

See accompanying notes to the interim condensed consolidated financial statements

BIONEUTRA GLOBAL CORPORATION
(Unaudited)
Interim Condensed Consolidated Statement of Changes in Equity
For the Period Ended June 30, 2018
(Expressed in Canadian Dollars)

	Share Capital (Note 15)						
	Number	Amount	Warrants	Share-Based Compensation Reserve	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance, December 31, 2016	**45,949,787**	**$ 7,301,938**	**$ 358,038**	**$ 720,066**	**$ 1,389,550**	**$ 6,013,806**	**$ 15,783,398**
Options granted	---	---	---	**241,268**	---	---	**241,268**
Comprehensive loss	---	---	---	---	(445,104)	---	(445,104)
Net loss for the period	---	---	---	---	---	(1,202,105)	(1,202,105)
Balance, June 30, 2017	**45,949,787**	**$ 7,301,938**	**$ 358,038**	**$ 961,334**	**$ 944,446**	**$ 4,811,701**	**$ 14,377,457**
Balance, December 31, 2017	**45,949,787**	**$ 7,301,938**	**$ 358,038**	**$ 961,334**	**$ 482,423**	**$ 4,852,909**	**$ 13,956,642**
Comprehensive income	---	---	---	---	**570,703**	---	**570,703**
Net income for the period	---	---	---	---	---	**2,229,671**	**2,229,671**
Balance, June 30, 2018	**45,949,787**	**$ 7,301,938**	**$ 358,038**	**$ 961,334**	**$ 1,053,126**	**$ 7,082,580**	**$ 16,757,016**

See accompanying notes to the interim condensed consolidated financial statements

BIONEUTRA GLOBAL CORPORATION
(Unaudited)
Interim Condensed Consolidated Statement of Cash Flows
For the Period Ended June 30, 2018
(Expressed in Canadian Dollars)

	June 30, 2018	June 30, 2017
Cash Provided by (Used in):		
Operating Activities		
Net income (loss)	**$ 2,229,671**	$ (1,202,105)
Interest and financial fee amortized	**222,090**	258,586
Items not affecting cash:		
Depreciation of property, plant and equipment	**233,660**	146,070
Amortization of intangible assets	**415,227**	435,151
Deferred income taxes	**1,826,964**	(21,654)
Interest income on investment	---	(1,567)
Debt forgiveness	---	(393,034)
Gain on settlement of liabilities	**(105,986)**	---
Inventory write-down	---	1,990,969
Share based compensation	---	241,268
Gain on sale of assets	---	(6,300)
Change in non-cash working capital balances (Note 16)	**566,474**	(685,270)
	5,388,100	762,114
Investing Activities		
Purchase of property, plant and equipment	**(792,394)**	(306,141)
Proceeds on sale of assets	---	6,300
Purchase of intangible assets	**(6,575)**	(37,331)
	(798,969)	(337,172)
Financing Activities		
Proceeds from mortgages	**265,628**	592,438
Repayment of mortgages	**(439,942)**	(294,340)
Financing fee paid	---	(4,000)
Interest paid	**(212,582)**	(245,331)
Repayment of government contribution	**(31,250)**	(31,250)
Repayment of capital lease	**(36,030)**	(28,161)
	(454,176)	(10,644)
Effect of foreign exchange	**(516,640)**	318,655
Increase in cash	**3,618,315**	732,953
Cash, beginning of period	**1,385,689**	591,705
Cash, end of period	**$ 5,004,004**	$ 1,324,658

See accompanying notes to the consolidated financial statements

1. Description of Business

BioNeutra Global Corporation (the "Company") was incorporated under the Alberta Business Corporations Act on March 8, 1996. Through its subsidiaries, the Company is involved in the research and development, production and commercialization of food ingredients for neutraceutical, functional and mainstream foods, with a focus on oligosaccharides. The Company's registered office is located at 9608 – 25 Avenue, Edmonton, Alberta, T6N 1J4.

These consolidated financial statements were approved by the Board of Directors on August 28, 2018.

2. Basis of Presentation

a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance and compliance with International Accounting Standard 34 ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure herein is incremental to the disclosure included in the annual consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 28, 2018, the date of the Board of Directors approval of the statements.

b) Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value.

c) Functional Currency

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiaries is the U.S. dollar. The interim condensed consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

d) Use of Estimates and Judgments

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

2. **Basis of Presentation** (Continued)

d) Use of Estimates and Judgments (Continued)

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are as follows:

Functional Currency

Management has made judgments to determine the functional currency for the Company and its subsidiaries. In making their judgment, management considered the primary economic environment in which each entity operates and determined the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Accounts Receivable

The valuation of accounts receivable is based on management's evaluation of collectability and a provision for doubtful accounts is recorded as necessary.

Inventories

The valuation of inventories and the estimated net realizable value is based on the most reliable information available at the time the estimates are made by management.

Property, plant and equipment

The costs capitalized to the production line under construction period is based on management's judgment of costs directly attributable to the construction of the production line. The valuation of property, plant and equipment is based on management's best estimate of the future recoverability of these assets. This is based on projected cash flows expected to be generated from the use of these assets over its estimated life. The amounts recorded for depreciation is based on management's best estimate of the useful lives of the assets.

Income Taxes

The amount recorded for deferred income taxes is based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability that taxable profits will be available to offset against deductible temporary differences.

Intangible Assets

The valuation of intangible assets is based on management's best estimate of the future recoverability of these assets. This is based on projected cash flows expected to be generated from the use of these assets over its estimated life. The amounts recorded for amortization is based on management's best estimate of the useful lives of the assets.

2. **Basis of Presentation** (Continued)

d) Use of Estimates and Judgments (Continued)

Share Based Compensation

The valuation of stock options issued is based on management's best estimate of the future volatility of the Company's share price, expected lives of the options, expected dividends and other relevant assumptions. Future volatility of the Company's share price is estimated based on the historical volatility of the Company's share price.

Contingencies

Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome.

3. **Summary of Significant Accounting Policies**

The accounting policies applied by the Company in these interim condensed consolidated financial statements are the same as those applied by the Company in its audited financial statements for the year ended December 31, 2017, except for the adoption of the following accounting standards effective January 1, 2018:

IFRS 9 "Financial Instruments" ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The adoption of this standard did not have a material measurement or disclosure on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The adoption of this standard did not have a material measurement or disclosure on the Company's consolidated financial statements.

(Expressed in Canadian Dollars)

4. **Line of Credit**

The Company has a credit facility of $2,000,000 to assist with working capital needs that is due on demand, bears interest at prime plus 1.50% per annum and is secured by a first charge on accounts receivable and inventories.

The Company also has a revolving facility of $500,000 to assist with the acquisition of equipment and/or leasehold improvements. The committed revolving facility is available at the Company's option by way of:

a) Fixed rate term loan which bears interest at a fixed rate to be determined by the bank set out in the Rate and Payment Terms Notice and is due maximum 5 years from the date of each drawdown; or

b) Floating rate term loan which bears interest at prime plus 1.50% per annum and is due maximum 1 year from the date of each drawdown.

This committed revolving facility is secured by a general security agreement and is subject to debt service coverage of not less than 120% at all times.

As at June 30, 2018, no amounts were outstanding on these facilities.

5. **Accounts receivable**

	June 30, 2018	December 31, 2017
Trade receivables	**$ 6,844,526**	$ 2,954,719
Goods and Services Tax receivable	**86,664**	30,818
	$ 6,931,190	$ 2,985,537

6. **Inventories**

	June 30, 2018	December 31, 2017
Finished goods	**$ 9,690,194**	$ 9,510,126
Raw materials	**275,812**	384,322
	$ 9,966,006	$ 9,894,448

Inventories recognized as cost of sales during the period is $15,038,855 (June 30, 2017 - $12,712,799).

7. **Investment**

Investment consists of guaranteed investment certificate ("GIC") with a major Canadian chartered bank. The GIC earns interest at 1.20% per annum and has a maturity date of July 16, 2018. It is pledged as collateral for one of the mortgages discussed in Note 13. Since this GIC will renew quarterly until the mortgage matures on May 15, 2042, it is classified as a long-term asset.

(Expressed in Canadian Dollars)

8. Property, plant and equipment

Cost

	Balance at January 1, 2017	Additions	Foreign Exchange Movement	Balance at December 31, 2017	Additions	Disposals	Foreign Exchange Movement	**Balance at June 30, 2018**
Lab equipment	$ 93,911	$ 17,748	$ (7,297)	$ 104,362	$ 4,158	$ ---	$ 5,210	**$ 113,730**
Furniture and office equipment	156,361	7,739	(10,939)	153,161	30,947	---	8,884	**192,992**
Building	6,490,638	13,048	(426,091)	6,077,595	83,971	---	304,834	**6,466,400**
Land	1,613,363	---	(105,915)	1,507,448	---	---	74,862	**1,582,310**
Production line	4,910,684	1,937,346	(373,302)	6,474,728	673,318	---	344,188	**7,492,234**
	$ 13,264,957	$ 1,975,881	$ (923,544)	$ 14,317,294	$ 792,394	$ ---	$ 737,978	**$ 15,847,666**

Accumulated Depreciation

	Balance at January 1, 2017	Additions	Foreign Exchange Movement	Balance at December 31, 2017	Additions	Disposals	Foreign Exchange Movement	**Balance at June 30, 2018**
Lab equipment	$ 41,362	$ 10,442	$ (1,676)	$ 50,128	$ 5,272	$ ---	$ 3,119	**$ 58,519**
Furniture and office equipment	47,583	21,541	(3,631)	65,493	10,551	---	3,515	**79,559**
Building	388,062	256,124	(38,755)	605,431	129,872	---	28,652	**763,955**
Production line	---	---	---	---	107,595	---	3,554	**111,149**
	$ 477,007	$ 288,107	$ (44,062)	$ 721,052	$ 253,290	$ ---	$ 38,840	**$ 1,013,182**

Net Book Value

	Balance at December 31, 2017	**Balance at June 30, 2018**
Lab equipment	$ 54,234	**$ 55,210**
Furniture and office equipment	87,668	**113,433**
Building	5,472,164	**5,702,445**
Land	1,507,448	**1,582,310**
Production line	6,474,728	**7,381,085**
	$ 13,596,242	**$ 14,834,484**

The carrying amount of equipment acquired under capital lease as at June 30, 2018 is $67,324 (December 31, 2017 - $74,804). During the period ended June 30, 2018, the Company did not receive or recognize any government grants (December 31, 2017 - $93,035) as a reduction to the cost of property, plant and equipment acquired during the year.

(Expressed in Canadian Dollars)

9. **Intangible Assets**

Cost

	Balance at January 1, 2017	Additions	Foreign Exchange Movement	Balance at December 31, 2017	Additions	Disposals	Foreign Exchange Movement	**Balance at June 30, 2018**
Patent	$ 4,598,513	$ ---	$ (301,750)	$ 4,296,763	$ ---	$ ---	$ 213,381	**$ 4,510,144**
Software	530,041	34,428	(36,915)	527,554	6,575	---	26,329	**560,458**
Trademarks	108,514	2,903	(7,276)	104,141	---	---	5,172	**109,313**
	$ 5,237,068	$ 37,331	$ (345,941)	$ 4,928,458	$ 6,575	$ ---	$ 244,882	**$ 5,179,915**

Accumulated Depreciation

	Balance at January 1, 2017	Additions	Foreign Exchange Movement	Balance at December 31, 2017	Additions	Disposals	Foreign Exchange Movement	**Balance at June 30, 2018**
Patent	$ 1,723,341	$ 664,699	$ (34,592)	$ 2,353,448	$ 201,175	$ ---	$ 305,757	**$ 2,860,380**
Software	53,004	54,505	(6,152)	101,357	27,581	---	6,444	**135,382**
Trademarks	---	---	---	---	---	---	---	**---**
	$ 1,776,345	$ 719,204	$ (40,744)	$ 2,454,805	$ 228,756	$ ---	$ 312,201	**$ 2,995,762**

Net Book Value

	Balance at December 31, 2017	**Balance at June 30, 2018**
Patent	$ 1,943,315	**$ 1,649,764**
Software	426,197	**425,076**
Trademarks	104,141	**109,313**
	$ 2,473,653	**$ 2,184,153**

The carrying amount of software acquired under capital lease as at June 30, 2018 is $60,000 (December 31, 2017 - $64,000).

(Expressed in Canadian Dollars)

10. **Related Party Transactions**

During the three and six months ended June 30, 2018, the Company had no management fees paid to Pak-Alberta Consultant Inc., a company owned by a member of management (six months ended June 30, 2017 - $22,080).

Key management personal compensation

Key management includes all persons named or performing the duties of Chief Executive Officer, Chief Financial Officer, President, Vice-President and Directors of the Company. The compensation paid to key management for services is shown below:

	June 30, 2018	June 30, 2017
Salaries	**$ 470,337**	$ 407,955
Directors fees	**33,976**	43,500
Share-based compensation	---	187,514

11. **Contingencies**

a) Vita US Inc. has filed an originating application against BioNeutra seeking the following:

- A declaration that agency agreements between the parties are binding upon BioNeutra;
- An order requiring BioNeutra to disclose all records they have with their dealings with leads provided to them by Vita US Inc.;
- Costs of the application; and
- Such other relief as the court deems just.

No amount has been accrued in the Company's financial statements as the outcome of this matter cannot be determined and the amount of the loss cannot be reliably determined.

b) A claim has been made by Mohammad Hassan Qureshi and Pak-Alberta Consultant Inc. as the plaintiff, against BioNeutra North America Inc. The action was filed March 17, 2017. BioNeutra has filed a Statement of Defense and a counterclaim in this matter. No amount has been accrued in the Company's financial statements as the outcome of this matter cannot be determined and the amount of the loss cannot be reliably determined.

(Expressed in Canadian Dollars)

12. Repayable Government Contribution

During fiscal 2010, the Company executed an agreement for funding with the federal government. The funding is a repayable contribution to fund activity for a period from November 24, 2009 to December 31, 2014. As at December 31, 2014, the Company has received $250,000 under the agreement. The Company is required to repay the contributions as follows with final payment due February 15, 2022:

2019	$ 31,250
2020	31,250
2021	31,250
2022	31,250
	125,000
Less current portion	(31,250)
	$ 93,750

13. Mortgages Payable

	June 30, 2018	December 31, 2017
(i) Mortgage bearing interest at the lender's floating base rate, due November 15, 2040	**$ 7,086,115**	$ 6,980,914
(ii) Mortgage bearing interest at 5.00% per annum for $1,000,000 and 0% per annum for $90,000, due July 31, 2018. Amended to pay $500,000 on July 31, 2018 and $500,000 on July 31, 2019	**1,090,000**	1,090,000
(iii) Mortgage bearing interest at 3.83% per annum, due January 1, 2022	**1,765,227**	2,032,242
(iv) Mortgage bearing interest at 3.37% per annum, fully repaid during the period	**---**	12,500
	9,941,342	10,115,656
Less unamortized financing fees	**(98,564)**	(108,071)
	9,842,778	10,007,585
Current portion	**(1,953,862)**	(1,956,306)
	$ 7,888,916	$ 8,051,279

(i) On April 22, 2015, the lender has provided the Company with a mortgage up to a maximum of $8,300,000 to purchase land and building to be used as their plant and office. On November 24, 2017, the mortgage agreement was amended to a maximum of $7,600,000. The mortgage bears interest at the lender's floating base rate with monthly instalment of $27,670 starting on April 15, 2017 and $26,738 starting on December 12, 2017 and is secured by the property with a net book value of $7,284,755, general security agreement and GIC discussed in Note 7 as collateral. As at June 30, 2018, $7,086,115 has been drawn on the mortgage, which bears interest at a floating base rate which is currently 5.30%.

(Expressed in Canadian Dollars)

13. **Mortgages Payable** (Continued)

(ii) On July 16, 2015, the Company has also obtained a mortgage of $1,250,000 from the vendor. This loan bears interest at 5% per annum, with monthly interest payment of $4,167, and remaining balance due on July 31, 2018. This loan is secured by second charge on the land and building with a net book value of $7,284,755. As of June 30, 2018, two principal payments of $80,000 were made.

The Mortgage Amending agreement is made to pay $500,000 on July 31, 2018 and another $500,000 on July 31, 2019. Mortgage due extend to July 31 2019.

(iii) On November 12, 2015, the Company also obtained a mortgage with credit limit of $2,736,000, bearing interest of 3.83% per annum, with monthly blended instalments of $50,097 starting February 1, 2017 with maturity date of January 1, 2022. This loan is secured by third charge on the land and building, second charge on accounts receivable and inventories and first charge on the equipment. As at June 30, 2018, $1,765,227 has been drawn on this loan.

(iv) On October 31, 2016, the Company obtained a loan with credit limit of $2,264,000, bearing interest of 3.37% per annum, with a maturity date of January 1, 2023. As at June 30, 2018, the loan was fully repaid.

Principal repayment terms are approximately:

2018	1,519,255
2019	874,373
2020	895,857
2021	688,738
2022	320,856
2023 and thereafter	5,642,263
	$ 9,941,342

14. **Capital Lease**

The Company has financed certain software and equipment purchased by entering into capital lease arrangements. Minimum lease payments as at June 30, 2018 are as follows:

	June 30, 2018	December 31, 2017
Total minimum lease payments	$ **14,024**	$ 51,706
Less amount representing interest	**(235)**	(1,888)
	13,788	49,818
Current portion	**(13,788)**	(49,818)
	$ ---	$ ---

(Expressed in Canadian Dollars)

15. Share Capital

The Company is authorized to issue:
Unlimited common voting shares and
Unlimited redeemable, retractable, non-voting preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the designation, rights and privileges attached to each series of shares.

As of June 30, 2018, the Company has 45,949,787 (December 31, 2017 – 45,949,787) common shares issued and outstanding. As at June 30, 2018, there were no common shares held in escrow (December 31, 2017 – nil).

Stock Options

The Company has a stock option plan whereby the maximum number of shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares of the Company. Stock options may be granted to directors, employees, management company employees and consultants. The exercise price of the options granted shall be determined by the Board of Directors in accordance with the policies of the TSX Venture Exchange. No single participant may be issued options representing greater than 5% of the number of outstanding shares in any 12 month period unless the Company has obtained disinterested shareholder approval. The number of shares reserved for issuance to any one consultant of the Company may not exceed 2% of the number of outstanding shares in any 12 month period. The aggregate number of options granted to persons employed in investor relation activities must not exceed 1% of the outstanding shares in any 12 month period. Options issued to consultants providing investor relations services must vest in stages over 12 months with no more than one quarter of the options vesting in any three month period. The exercise price per common share for an option shall not be less than the greater of the closing market price of the common shares on (i) the trading day prior to the date of the grant of the option and (ii) the date of the grant of the option. Every option shall have a term not exceeding and shall therefore expire no later than 10 years after the date of grant. Terms of vesting of the options, the eligibility of directors, officers, employees, management company employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors, subject to the policies of the TSX Venture Exchange.

The activity related to stock options is as follows:

	Number of Options	Exercise Price
Balance, December 31, 2017	**3,585,000**	$ 0.44
Options granted	---	---
Options expired	---	---
Balance, June 30, 2018	3,585,000	$ 0.44

(Expressed in Canadian Dollars)

15. **Share Capital** (Continued)

Stock Options (Continued)

The following table summarizes information on stock options outstanding and exercisable at June 30, 2018:

Exercise Price	Number Outstanding	Number Exercisable	Weighted Average Contractual Life (years)
$ 0.40	2,620,000	2,620,000	0.62
$ 0.55	965,000	965,000	1.86

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. No share-based compensation expense has been recorded for the six months ended June 30, 2018 as there were no stock options issued. During the six months ended June 30, 2017, the company recorded $241,268 in share-based compensation expense.

Warrants

The activity related to warrants is as follows:

	Number of Warrants	Exercise Price
Balance, December 31, 2017	**3,170,000**	$ 0.50
Warrants granted	---	---
Warrants exercised	---	---
Balance, June 30, 2018	**3,170,000**	**$ 0.50**

There was no warrant activity during the period ended June 30, 2018. The following table summarizes information on warrants outstanding and exercisable at June 30, 2018:

Exercise Price	Number Outstanding	Number Exercisable	Weighted Average Contractual Life (years)
$ 0.50	3,170,000	3,170,000	0.73

(Expressed in Canadian Dollars)

16. Changes in Non-cash Working Capital Balances

	June 30, 2018	June 30, 2017
Accounts receivable	$ (3,683,479)	$ 306,589
Prepaid expenses and deposits	(44,564)	18,627
Inventories	407,185	1,852,508
Accounts payable and accrued liabilities	3,895,541	(2,468,753)
Income taxes payable	(9,392)	(394,241)
Deferred revenue	1,183	---
	$ 566,474	$ (685,270)

17. Financial Instruments and Risk Management

Fair value of financial instruments

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at June 30, 2018, the Company had cash, classified as "fair value through profit or loss", measured at fair value - Level 1. All other financial instruments are measured at amortized cost using the effective interest rate method.

The carrying amounts and fair values of the Company's financial instruments are presented in the table below:

	June 30, 2018			December 31, 2017		
	Carrying Amount		Fair Value	Carrying Amount		Fair Value
Financial Assets:						
Cash	$ 5,004,004	(A)	$ 5,004,004	$ 1,385,689	(A)	$ 1,385,689
Accounts receivable	6,844,526	(A)	6,844,526	2,954,719	(A)	2,954,719
Investment	508,069	(A)	508,069	508,069	(A)	508,069
Financial Liabilities:						
Accounts payable and accrued liabilities	10,839,526	(A)	10,839,526	6,605,430	(A)	6,605,430
Repayable government contribution	125,000	(B)	N/A	156,250	(B)	N/A
Mortgages payable	9,941,342	(C)	9,920,301	10,115,656	(C)	10,031,596
Capital lease	---	(C)	---	49,818	(C)	49,818

17. **Financial Instruments and Risk Management** (Continued)

Fair value of financial instruments (Continued)

(A) The fair value of accounts receivable, investment, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.
(B) The fair value of repayable government contribution cannot be determined as there is no market for financial instruments which bear no interest.
(C) The fair value of mortgages payable and capital lease are determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity. The fair value of mortgages payable and capital lease are measured at fair value-Level 2.

Financial risk management

The Company's activities are exposed to a variety of financial risks: credit risk, concentration of risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at, the Company was holding cash of $ 5,004,004 (December 31, 2017 - $1,385,689), accounts receivable of $ 6,931,190 (December 31, 2017 - $2,985,537) and had a working capital of $8,919,230 (December 31, 2017 - $5,434,247). Non-derivative financial liabilities of $13,033,426 (December 31, 2017 - $8,837,804) will be settled within one year.

Credit risk

The Company's exposure to credit risk that relates to cash, accounts receivable and investment arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash with major chartered banks, reviewing new customers' credit history before extending credit, conducting regular reviews of its existing customers' credit performance and insuring the receivable amount with a third party insurance company. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. There is no amount considered past due or impaired as at June 30, 2018. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

17. **Financial Instruments and Risk Management** (Continued)

Concentration of risk

The Company is exposed to credit risk on the accounts receivable from its customers. As at June 30, 2018, approximately 62% (December 31, 2017 – 53% from four customers) of the trade accounts receivable balance is owed from top four customers. Sales to top three major customers represent 52% of the Company's total sales for the period ended June 30, 2018 (December 31, 2017 – 47% from three customers). The Company minimizes its exposure to the concentration of risk by developing a larger client base.

The Company obtains inventory from companies in Asia and is dependent on them to supply substantially all its inventory for resale. Should these suppliers substantially change their dealings with the Company, management is of the opinion that continued viable operations could be maintained through obtaining inventory from other manufacturers and until construction of a full-scale facility can be completed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company is exposed to foreign currency risk on cash, accounts receivable and accounts payable denominated in U.S. dollars and accounts receivable denominated in Euro. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The table below indicates the foreign currency to which the Company has exposure as at June 30, 2018 and December 31, 2017 in Canadian dollar terms. The table also illustrates the potential impact to the Company's net equity as at June 30, 2018 and December 31, 2017 if the Company's presentation currency had strengthened or weakened by 5% in relation to the U.S. dollar, with all other variables held constant. In practice, the actual result may differ materially from this sensitivity analysis.

	Total Exposure		Impact on Net Equity	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017
U.S. dollar	**$ 16,532,885**	$ 13,645,121	**$ 826,644**	$ 682,256
As a % of Net Equity	**98.66%**	97.77%	**4.93%**	4.89%

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate price risk on its mortgages payable and capital lease which bear a fixed interest rate, and interest rate cash flow risk on its floating rate mortgage payable. Management does not believe this risk is significant.

17. **Financial Instruments and Risk Management** (Continued)

Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include the continuing operations of the business. The Company includes shareholders' equity of $16,757,016 (December 31, 2017 - $13,956,642) and mortgages payable of $9,941,342 (December 31, 2017 - $10,115,656) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the cash generated from operations and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

The Company is not subject to externally imposed capital requirements.

18. **Commitments**

a) The Company entered into an agreement with a manufacturer in China which will manufacture production equipment based on design and specifications from the Company. The total cost is expected to be $3,000,000. As at June 30, 2018, a total cost of $2,400,000 has been paid for the project and recorded as addition to property, plant and equipment.

b) The Company entered into an agreement with Nanjing Kaitong Grain Biochemical Research and Design Co., Ltd. for equipment and its installation for a DP3 production line with capacity of 5,000 metric tonnes per year. The total cost is $3,119,212. As at June 30, 2018, no amount has been paid.

19. **Earnings per Share**

The basic earnings per share is based on the weighted average number of common shares outstanding for the period ended of June 30, 2018 of 45,949,787 (June 30, 2017 – 45,949,787). The diluted earnings per share is based on the weighted average number of common shares outstanding for period ended of 46,101,831 (June 30, 2017 – 45,949,787) taking into effect all potentially dilutive securities.