Condensed Interim Financial Statements of

E. S. I. ENVIRONMENTAL SENSORS INC.

Three months ended June 30, 2016 and 2015

(unaudited)

(Expressed in Canadian Dollars)

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 financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

E.S.I. ENVIRONMENTAL SENSORS INC.

Condensed Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
As at

	June 30, 2016	March 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 14,349	$ 13,395
Trade receivables	2,095	12,404
Prepaid expenses	-	67,022
	16,444	92,821
	$ 16,444	$ 92,821
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Trade and other payables (note 8)	$ 1,044,544	$ 1,133,577
Other liabilities (note 9)	338,520	338,520
Payable to related party (note 12 and 20)	202,875	144,000
Loan payable (note 10)	135,000	70,000
	1,720,939	1,686,097
Shareholders' deficiency:		
Share capital (note 13)	23,878,935	23,342,685
Shares subscribed (note 11)	-	600,000
Other paid in capital (note 15)	3,503,393	3,503,393
Deficit	(29,086,823)	(29,039,354)
	(1,704,495)	(1,593,276)
	$ 16,444	$ 92,821

Going concern (note 1)
Contingent liabilities (note 21)
Subsequent event (note 23)

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

On behalf of the Board:

"Johan Grandin" Director

"Stephan Radermacher" Director

E. S. I. ENVIRONMENTAL SENSORS INC.

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		Three months ended June 30, 2016		Three months ended June 30, 2015
Revenue	$	10,875	$	21,616
Cost of product sales (note 5)		(1,318)		(22,223)
Write-off of obsolete inventory		-		682
		9,557		75
Operating expenses:				
General and administrative (note 22)		10,335		102,292
Management fee to related party (note 12 and 22)		51,000		36,000
Selling and marketing (note 22)		-		22,257
Research and development (note 22)		-		41,986
		61,335		202,535
Loss before other expenses		(51,778)		(202,460)
Other income (expenses)				
Bad debt recovery		3,009		-
Interest and financing		1,300		(9,360)
Miscellaneous		-		(26)
		4,309		(9,386)
Loss and comprehensive loss for the period	$	(47,469)	$	(211,846)
Basic and diluted loss per share	$	(0.00)	$	(0.00)
Weighted average number of shares outstanding		193,600,842		169,026,303

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

E. S. I. ENVIRONMENTAL SENSORS INC.

Condensed Interim Statements of Changes in Shareholders' Deficiency
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of common shares		Share capital		Shares subscribed		Other paid in capital		Deficit		Total deficiency
Balance at March 31, 2015	168,587,509	$	22,433,706	$	-	$	3,503,393	$	(28,103,438)	$	(2,166,339)
Net loss	-		-		-		-		(211,846)		(211,846)
Shares for debt	22,880,000		1,144,000		-		-		-		1,144,000
Share issue costs	-		(6,220)		-		-		-		(6,220)
Balance at June 30, 2015	191,467,509	$	23,571,486	$	-	$	3,503,393	$	(28,315,284)	$	(1,240,405)
Balance at March 31, 2016	191,467,509	$	23,342,685	$	600,000	$	3,503,393	$	(29,039,354)	$	(1,593,276)
Net loss	-		-		-		-		(47,469)		(47,469)
Private placement	12,000,000		600,000		(600,000)		-		-		-
Share issue costs	-		(63,750)		-		-		-		(63,750)
Balance at June 30, 2016	203,467,509	$	23,878,935	$	-	$	3,503,393	$	(29,086,823)	$	(1,704,495)

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

E.S.I. ENVIRONMENTAL SENSORS INC.

Condensed Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the three months ended June 30,

	2016	2015
Cash provided by (used in):		
Operations:		
Loss for the period	$ (47,469)	$ (211,846)
Items not involving cash:		
Amortization of:		
Equipment and leasehold improvements (note 6)	-	2,048
Intangible assets (note 7)	-	227
Bad debt recovery	(3,009)	-
Changes in non-cash operating working capital:		
Trade receivables	13,318	(219,518)
Inventories	-	7,739
Prepaid expenses	7,022	(66,009)
Trade and other payables	(89,033)	41,347
Due to related parties	58,875	-
	(60,296)	(446,012)
Financing:		
Loan payable	65,000	-
Subscriptions received	-	600,000
Share issuance costs paid in cash	(3,750)	(6,220)
	61,250	593,780
Change in cash and cash equivalents	954	147,768
Cash and cash equivalents, beginning of period	13,395	26,209
Cash and cash equivalents, end of period	$ 14,349	$ 173,977

Supplemental cash flow information (note 19)

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

E.S.I. Environmental Sensors Inc. (the "Company" or "ESI") was incorporated under the laws of British Columbia. The Company is engaged in the development, manufacture, sale and after-market servicing of water measurement instrumentation and related technology. The Company's principal location is 2071C Malaview Avenue West, Sidney, BC, Canada.

1. Going concern:

These condensed interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company has experienced significant losses and negative cash flow from operations over a number of years, incurred losses of $47,469 for the three months ended June 30, 2016 (2015 - $211,846), and at June 30, 2016, has an accumulated deficit of $29,086,823 (March 31, 2016 - $29,039,354), a working capital deficiency of $1,704,495 (March 31, 2016 - $1,593,276) and a shareholder's deficiency of $1,704,495 (March 31, 2016 - $1,593,276). These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations and positive cash flows from operating activities or to obtain additional funding through public or private equity financing, debt, or collaborative or other arrangements. There can be no assurances that financing will be available on terms acceptable to the Company, or at all. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the Company is unable to continue as a going concern, assets and liabilities would require re-measurement on a liquidation basis, which would differ materially from the going concern basis.

2. Basis of preparation and statement of compliance:

(a) Statement of compliance:

These condensed interim financial statements, including comparatives have been prepared using accounting policies consistent 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") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The policies applied in these condensed interim financial statements are based on IFRS issued and effective as of June 30, 2016.

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on August 29, 2016.

(b) Basis of presentation:

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of preparation and statement of compliance (continued):

(c) Use of judgments:

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these judgments. Information about critical judgments in applying accounting policies with the most significant effect on the amounts recognized in the condensed interim financial statements relates to the application of the going concern assumption (note 1) and the determination of the Company's functional currency.

(d) Use of estimates:

The preparation of condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenue and expenses during the periods, as well as disclosure of contingent assets and liabilities at the date of the condensed interim financial statements. Significant areas requiring the use of management estimates relate to valuation of trade receivables, inventories, equipment and leasehold improvements, share-based compensation, warrants, and the recognition of contingent liabilities (note 21). Actual results could differ from those estimates used in the condensed interim financial statements.

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.

3. Significant accounting policies:

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at March 31, 2016. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2016.

New accounting standards and interpretation

New IFRS pronouncements that have been issued but are not effective are listed below. Pronouncements that are not applicable to the Company have been excluded.

- In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9"), which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company intends to adopt IFRS 9 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined.

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued):

New accounting standards and interpretation (continued):

- In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15') establishing a comprehensive framework for revenue recognition. The standard replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company intends to adopt IFRS 15 in its financial statements for the fiscal year beginning April 1, 2018. The extent of the impact of adoption has not yet been determined. In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16") which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption has not yet been determined.

4. Note receivable:

On May 22, 2015, the Company loaned $200,000 to Dycor Technologies Ltd ("Dycor"). Dycor has provided the Company with a promissory note bearing 12% interest per annum. The loan amount of $200,000, and all interest thereon, was due and payable 90 days from the date of the advance of the funds. Interest is calculated monthly, on the last day of each month. As at March 31, 2016 and June 30, 2016, the full balance of the note remained outstanding. As the collectability of the note is uncertain, an allowance for the principal balance of $200,000 and accrued interest of $20,000 was recorded as at March 31, 2016 and June 30, 2016.

5. Inventories:

	June 30, 2016	March 31, 2016
Raw materials	$ 287,249	$ 287,249
Work-in progress	26,183	26,183
Finished goods	69,052	69,052
Provision	(382,484)	(382,484)
	$ -	$ -

During the year ended March 31, 2016, the Company wrote-down $99,036 of its inventory due to the Company's assessment that the recoverable amount of the remaining inventory is considered to be $Nil.

(Expressed in Canadian Dollars)

6. Equipment and leasehold improvements:

	Office furniture and equipment	Manufacturing equipment	Computer hardware	Leasehold improvements	Total
Cost					
Balance at March 31, 2015	$ 278,722	$ 609,801	$ 361,361	$ 68,834	$ 1,318,718
Disposals / Impairment	(278,722)	(609,801)	(361,361)	(68,834)	(1,318,718)
Balance at March 31, 2016 and June 30, 2016	$ -	$ -	$ -	$ -	$ -

	Office furniture and equipment	Manufacturing equipment	Computer hardware	Leasehold improvements	Total
Amortization and impairment losses					
Balance at March 31, 2015	$ 275,818	$ 573,817	$ 360,948	$ 68,834	$ 1,279,417
Amortization for the year	581	7,197	413	-	8,191
Disposals / Impairment	(276,399)	(581,014)	(361,361)	(68,834)	(1,287,608)
Balance at March 31, 2016 and June 30, 2016	$ -	$ -	$ -	$ -	$ -

	Office furniture and equipment	Manufacturing equipment	Computer hardware	Leasehold improvements	Total
Carrying amounts					
Balance at March 31, 2016 and June 30, 2016	$ -	$ -	$ -	$ -	$ -

During the year ended March 31, 2016, the Company impaired its capital assets due to the Company's assessment that the benefit that was expected to be generated by the remaining assets has been permanently reduced and accordingly recorded a write-off of capital assets of $31,110.

(Expressed in Canadian Dollars)

7. Intangible assets:

-

		Intellectual property		Computer software		Total
Cost						
Balance at March 31, 2015, March 31, 2016, and June 30, 2016	$	22,188	$	347,181	$	369,369

		Intellectual property		Computer software		Total
Amortization and impairment losses						
Balance at March 31, 2015	$	22,188	$	346,272	$	368,460
Amortization for the year		-		909		909
Balance at March 31, 2016 and June 30, 2016	$	22,188	$	347,181	$	369,369

		Intellectual property		Computer software		Total
Carrying amounts						
Balance at March 31, 2016, and June 30, 2016	$	-	$	-	$	-

8. Trade and other payables:

		June 30, 2016		March 31, 2016
Trade payables	$	401,921	$	355,418
Accrued liabilities		228,332		372,332
Accrued interest payable		414,291		405,827
	$	1,044,544	$	1,133,577

9. Other liabilities:

		June 30, 2016		March 31, 2016
Notes payable, bearing interest at 10%, due on demand	$	338,520	$	338,520

Notes payable represents amounts that are in dispute or in process of being negotiated for settlement. Management anticipates these actions may result in a reduction of the amounts presently recorded as owing. Any reductions will be recorded when the lenders or suppliers formally acknowledge the settlement. There has been no change in these liabilities over the course of the past six fiscal years. Accrued interest on these notes is included in accrued interest payable (note 8).

10. Loans Payable:

As at June 30, 2016, the total loans payable Company's majority shareholder amounted to $135,000 (March 31, 2016 - $70,000). The loans are non-interest bearing, unsecured, and have no specific terms of repayment.

11. Subscriptions received:

Share subscriptions received in anticipation of future private placement transactions at March 31, 2016 were $600,000. During the period ended June 30, 2016, the Company issued 12,000,000 common shares in connection with the subscriptions received during fiscal 2016. In connection with the transaction, the Company paid $60,000 in cash finders' fees and $3,750 share issuance costs.

12. Management fees to related party:

During the period ended June 30, 2016, the Company recorded $36,000 (2015 - $36,000) in fees, according to the terms of the ongoing management agreement with Avis Financial Corporation ("Avis"), the majority shareholder of the Company. As at June 30, 2016, the amount owed to Avis was $180,000 (March 31, 2016 - $144,000).

13. Share capital:

(a) Authorized:

Authorized share capital comprises an unlimited number of common shares and an unlimited amount of preferred shares. No preferred shares have been issued.

(b) Issued and outstanding:

During the period ended June 30, 2016, the Company closed a private placement consisting of 12,000,000 common shares for gross proceeds of $600,000. In connection with the transaction, the Company paid $60,000 in cash finders' fees and $3,750 of share issuance costs.

During the year ended March 31, 2016, the Company issued 22,880,000 common shares to Avis for settlement of outstanding invoices and payment for past services (note 12). Under the terms of this transaction, the amount owing of $1,144,000 was settled by the issuance of 22,880,000 common shares. On the date of the transaction, the shares had a fair value of $0.04 per share, resulting in the recognition of $915,200 in share capital and a gain on settlement of debt of $228,800. Share issuance costs of $6,221 were incurred in connection with the transaction.

(c) Options to purchase common shares of the Company may be granted by the Board of Directors. There are no stock options outstanding at June 30, 2016 and March 31, 2016.

(Expressed in Canadian Dollars)

14. Warrants:

A summary of the status of the warrants outstanding and changes during the periods is presented below:

		Amount	Number of warrants		Weighted average exercise price	Weighted average remaining contractual life
Balance, March 31, 2015	$	226,923	25,526,367	$	0.17	1.95
Expired		(42,115)	(4,679,486)		0.20	-
Balance, March 31, 2016	$	184,408	20,846,881	$	0.17	1.17
Balance, June 30, 2016	$	184,408	20,846,881	$	0.17	0.92

For each private placement warrant issuance, that portion of the subscription proceeds representing the fair value of the warrants issued is allocated from share capital upon issuance of the warrants.

The weighted average fair value of the warrants issued during the period ended June 30, 2016 was $Nil (2015 - $0.01) per warrant calculated using the Black-Scholes pricing model with the following weighted average assumptions:

	2016	2015
Risk free interest rate	-	0.5%
Expected dividend yield	-	0%
Stock price volatility	-	90%
Expected life of warrants	-	3 years

15. Other paid in capital:

Other paid in capital includes amounts recorded as share-based compensation and the fair value of warrants of issued. The components of other paid in capital are as follows:

		Warrants		Contributed surplus		Total
Balance, March 31, 2015	$	226,923	$	3,276,470	$	3,503,393
Warrants expired unexercised		(42,115)		42,115		-
Balance at March 31, 2016, and June 30, 2016	$	184,808	$	3,318,585	$	3,503,393

16. Segmented information:

The Company's operations consist of one reportable operating segment: Moisture Monitoring Instrumentation. All of the assets related to the Company's operations are located in Canada. Revenue is attributable to geographic location based on the location of the customer, as follows:

	June 30, 2016	June 30, 2015
North America	$ 10,875	$ 20,162
Europe	-	1,454
	$ 10,875	$ 21,616

17. Financial instruments:

Risk disclosures:

a) Credit risk:

Credit risk is the risk of loss resulting from the failure of a customer or counterparty to meet its contractual obligations to the Company. The carrying value of these financial assets represents the Company's estimate of maximum credit exposure.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The vast majority of the Company's customers are located in the United States, Canada and Australia. Allowance for doubtful accounts is reviewed by the Company on an annual basis, while past due trade receivables are reviewed monthly. The Company's historical bad debts have been nominal.

b) Currency risk:

The Company both purchases inventory from and sells its products into foreign markets, primarily the United States, which gives rise to exposure to market risks from changes in foreign currency values. Most significantly, the Company is exposed to potential currency fluctuations between US and Canadian dollars as the Company's sales and purchases are transacted in US dollars. Fluctuations in the exchange rate could impact profitability. At June 30, 2016, a 100 basis point change in foreign exchange rates would not have a significant impact on net loss.

c) Liquidity risk:

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to raise sufficient funds through loans and issuance of common shares in order to meet financial obligations. As at June 30, 2016, the Company had a working capital deficiency of $1,704,495 (March 31, 2016 - $1,593,276).

17. Financial instruments (continued):

d) Fair values:

The fair values of the Company's cash and cash equivalents, trade receivables, trade and other payables, loans payable, and payable to related party are estimated to approximate their carrying values due to the immediate or short-term to maturity of these financial instruments. The fair value of other liabilities, and payable to related party are not readily determinable due to the lack of a commercial market for these obligations.

e) Interest rate risk:

The Company has outstanding fixed rate debt in the form of notes payable. At June 30, 2016, a 100 basis point change in interest rates would not have a significant impact on net loss.

18. Capital management:

The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity. The capital structure of the Company currently consists of shareholders' deficiency. The Company makes adjustments to its capital structure upon approval from its Board of Directors, in light of economic conditions and the Company's working capital requirements. There were no changes in the Company's approach to capital management during the period. The Company does not presently utilize any quantitative measures to monitor its capital.

19. Supplemental cash flow information:

During the period ended June 30, 2016, the Company issued 12,000,000 common shares in connection with the subscription received during fiscal 2016. As a result, the Company reclassified $600,000 previously recorded in shares subscribed to share capital and reclassified $60,000 finders' fees previously included in prepaid expenses to share issuance costs.

During the period ended June 30, 2015, the Company issued 22,880,000 common shares to settle management fees of $1,144,000 payable to a related party.

(Expressed in Canadian Dollars)

20. Related party transactions:

(a) Key management compensation:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation for key management is as follows:

	2016	2015
Salaries and other short term benefits	$ -	$ 21,898
Management fees	51,000	36,000
General and administrative	7,500	-
	$ 58,500	$ 57,898

During the period ended June 30, 2016, the Company has recorded $36,000 (2015 - $36,000) in management fees to a majority shareholder, according to the terms of the ongoing management agreement. As at June 30, 2016, the amount owed was $180,000 (March 31, 2016 - $144,000).

During the period ended June 30, 2016, the Company has recorded $15,000 (2015 - $Nil) in management fees to a company owned by the Chief Executive Officer. As at June 30, 2016, the amount owed to the company was $15,000 (March 31, 2016 - $Nil).

During the period ended June 30, 2016, the Company has recorded $7,500 (2015 - $Nil) in general and administrative fees for accounting services provided by an accounting firm of which the Chief Financial Officer is a partner. As at June 30, 2016, the amount owed to the firm was $7,875 (March 31, 2016 - $Nil).

(b) Deferred salaries:

Included in trade and other payables at June 30, 2016 are deferred salaries and accruals payable to employees of $28,141 (March 31, 2016 - $32,812).

These transactions are in the normal course of operations and measured at the fair value of the consideration issued.

21. Contingent liabilities:

(a) Indemnification:

The Company is party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify a third party with respect to certain matters. The impact on the Company's future financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, the Company has not incurred material costs related to these types of indemnifications.

(Expressed in Canadian Dollars)

21. Contingent liabilities (continued):

(b) Government assistance:

In 2006 and prior years, the Company received financial assistance from the Government of Canada's National Research Council under its Technology Partnership Canada Program ("TPC") administered by the Industrial Research Assistance Program ("IRAP") and now Industry Canada. Government assistance received totaled $227,119, including $Nil for the period ended June 30, 2016 (2015 - $Nil) and was applied to reduce related development costs. The assistance received is repayable over a period not exceeding ten years from April 1, 2006 under a royalty arrangement based on the Company's gross revenue from all products. Repayments will be accrued and reported in the period(s) when sales of said products are recognized or when the liability is determined likely to be repayable. In July 2007, the terms of the agreement were amended whereas the repayment phase was extended an additional 43 months. The assistance will now be repayable up to October 1, 2019. As at June 30, 2016, the Company had made total repayments of $Nil (2015 - $Nil).

(c) Contingencies:

The Company has provided for certain amounts that are in dispute or in the process of being negotiated for settlement (note 9).

22. Operating expenditures:

		2016		2015
Salaries, commissions and other compensation	$	4,936	$	72,122
Management fees to related party		51,000		36,000
Amortization (note 6 and 7)		-		2,276
Other expenses		5,399		92,137
	$	61,335	$	202,535

During the year ended March 31, 2016 the Company entered into an agreement with the National Research Council ("NRC") whereas the NRC will fund a non-repayable contribution. The contribution is funded by the Youth Employment Strategy of the Government of Canada which requires that the proceeds from the grant be applied towards the salary of a graduate student in connection with research development costs.

During the period ended June 30, 2016 a total of $4,395 (2015 - $Nil) was received by the Company which was recorded as a reduction to related general and administrative expenses.

23. Subsequent event:

Subsequent to the period ended June 30, 2016, the Company received $2,000 loan from an accounting firm of which an officer of the Company is a partner to cover general working capital costs. The loans are non-interest bearing, unsecured and have no specific terms of repayment.