NeutriSci International Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

As at and for the three and six months ended June 30, 2017 and 2016

NeutriSci International Inc.
(the "Company")

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the three and six months ended June 30, 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

NeutriSci International Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
As at

	June 30, 2017	December 31, 2016
Assets		
Current Assets		
Cash	**$ 2,075**	$ 805,789
Receivables	**20,738**	17,210
Due from related parties (Note 8)	**54,755**	46,986
Tax Credits Receivable	**104,616**	94,987
Inventory (Note 4)	**114,881**	77,330
Prepaid expenses	**18,326**	87,210
Total current assets	**315,391**	1,129,512
Equipment (Note 5)	**2,660**	10,438
Total Assets	**$ 318,051**	$ 1,139,950
Liabilities and Shareholders' Equity (Deficiency)		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 277,324**	$ 175,301
Notes payable (Note 9)	**120,084**	300,428
	397,408	475,729
Shareholders' Equity (Deficiency)		
Share capital (Note 10)	**24,230,128**	23,870,273
Warrants (Note 10)	**415,472**	403,363
Contributed surplus (Note 10)	**2,305,126**	2,208,455
Deficit	**(27,269,595)**	(26,057,382)
Accumulated other comprehensive loss	**239,512**	239,512
	(79,357)	664,221
Total Liabilities and Shareholders' Equity (Deficiency)	**$ 318,051**	$ 1,139,950

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

Approved on Behalf of the Board on August 25, 2017:

"Scott Ackerman"
Scott Ackerman – CEO

"Robert Chisholm"
Robert Chisholm– CFO

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

NeutriSci International Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Sales Revenue	**$ 27,983**	$ 34,944	**$ 62,416**	$ 52,805
Cost of Sales	**(29,887)**	(16,988)	**(65,947)**	(37,934)
	(1,904)	17,956	**(3,531)**	14,871
Expenses				
Operating expenses (Note 11)	**346,801**	320,758	**878,675**	932,416
General and administrative costs (Note 11)	**165,565**	149,733	**306,198**	301,546
Foreign exchange	**(3,923)**	(13,498)	**(2,637)**	(60,492)
Finance expense	**13,325**	90	**26,446**	9,124
Gain on forgiveness of debt	**-**	-	**-**	(20,763)
	(521,768)	(457,083)	**(1,208,682)**	(1,161,831)
Loss and comprehensive loss for the period	**$ (523,672)**	$ (439,127)	**$ (1,212,213)**	$ (1,146,960)
Weighted average number of shares outstanding – basic and diluted	**79,564,851**	55,621,693	**78,490,343**	55,621,693
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)

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

NeutriSci International Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Common Shares	Share Capital Amount	Warrants	Contributed Surplus	Deficit	Other Comprehensive Loss	Total Shareholders' Equity (Deficiency)
Balance, January 1, 2016	**55,621,695**	**$ 21,757,716**	**$ 394,387**	**$ 1,825,983**	**$ (23,492,552)**	**$ 239,512**	**$ 725,046**
Share-based payments	-	-	-	38,174	-	-	38,174
Loss for the period	-	-	-	-	(1,146,960)	-	(1,146,960)
Balance, June 30, 2016	**55,621,695**	**$ 21,757,716**	**$ 394,387**	**$ 1,864,157**	**$ (24,639,512)**	**$ 239,512**	**$ (383,740)**
Share-based payments	-	-	-	296,740	-	-	296,740
Share issuance (net)	21,546,000	2,056,442	70,133	-	-	-	2,126,575
Expiry of warrants	-	-	(47,558)	47,558	-	-	-
Warrants exercised	236,200	56,115	(13,599)	-	-	-	42,516
Loss for the period	-	-	-	-	(1,417,870)	-	(1,417,870)
Balance, December 31, 2016	**77,403,895**	**$ 23,870,273**	**$ 403,363**	**$ 2,208,455**	**$ (26,057,382)**	**$ 239,512**	**$ 664,221**
Share issuance (net)	3,333,000	359,855	12,109	-	-	-	371,964
Share-based payments	-	-	-	96,671	-	-	96,671
Loss for the period	-	-	-	-	(1,212,213)	-	(1,212,213)
Balance, June 30, 2017	**80,736,895**	**$ 24,230,128**	**$ 415,472**	**$ 2,305,126**	**$ (27,269,595)**	**$ 239,512**	**(79,357)**

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

NeutriSci International Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the six months ended June 30,

		2017		2016
Cash provided by / (used in):				
Operating Activities:				
Loss for the period	$	**(1,212,213)**	$	(1,146,960)
Items not affecting cash:				
Amortization		**7,778**		7,777
Share-based payments		**96,671**		38,174
Unrealized foreign exchange		**-**		(40,934)
Gain on debt settlement		**-**		(20,761)
Accrued interest		**26,443**		-
Net change in non-cash working capital items:				
Tax credits receivable		**(13,157)**		(49,819)
Due from related parties		**(7,769)**		(3,335)
Inventory		**(37,551)**		52,827
Prepaid expenses		**68,884**		20,392
Accounts payable and accrued liabilities		**102,022**		(12,952)
		(968,892)		(1,155,591)
Investing Activities:				
Purchase of equipment		**-**		(782)
		-		(782)
Financing Activities:				
Net proceeds from share issuance		**371,964**		-
Repayment of loans and notes payable		**(206,786)**		(77,445)
		165,178		(77,445)
Impact of foreign exchange on cash		**-**		(2,477)
Change in cash for the period		**(803,714)**		(1,236,295)
Cash, beginning of the period		**805,789**		1,299,528
Cash, end of the period	**$**	**2,075**	**$**	63,233

Supplemental information:				
Interest paid	$	-	$	-
Income taxes	$	-	$	-

Significant non-cash activities – Note 7

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

1. NATURE AND CONTINUANCE OF OPERATIONS

NeutriSci International Inc. (the "Company" or "NeutriSci") was incorporated under the laws of the Province of Alberta on September 9, 2009. The Company's shares are listed on Tier 2 of the TSX Venture Exchange (the "Exchange") under the symbol "NU". The Company's head office is at 4015 - 1st Street SE, Calgary, Alberta T2G 4X7 and the Company's registered office is 1600 – 609 Granville St., Vancouver BC, Canada, V7Y 1C3.

NeutriSci is focused on the market development for its nutraceutical products.

Going concern

The Company has a history of losses and anticipates further losses in the development of its business. As at June 30, 2017, the Company has an accumulated deficit of $27,269,595. Continuing business as a going concern is dependent upon the success of the neuenergy® products in the retail storefront and online markets, the existing cash flows, and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

(c) Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

(d) Functional and Presentation Currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared using the same accounting policies as the annual financial statements for the year ended December 31, 2016.

New standards and interpretations applicable in future periods

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

- IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model.

(Expressed in Canadian dollars)

4. INVENTORY

Finished goods	Total
Balance, January 1, 2016	$ 142,430
Additions	39,477
Cost of goods sold	(82,255)
Promotional	(22,322)
Balance, December 31, 2016	$ 77,330
Additions	107,475
Cost of goods sold	(39,546)
Promotional	(30,378)
Balance, June 30, 2017	**$ 114,881**

The inventory as at June 30, 2017 and December 31, 2016 consists of the neuenergy® product.

5. EQUIPMENT

	Furniture and Equipment	Computer Equipment	Total
Cost:			
Balance, December 31, 2015	$ 104,489	$ 10,747	$ 115,236
Additions	-	1,713	1,713
Balance, December 31, 2016 and June 30, 2017	**$ 104,489**	**$ 12,460**	**$ 116,949**
Accumulated Amortization:			
Balance, December 31, 2015	$ 82,333	$ 8,625	$ 90,958
Amortization	13,293	2,260	15,553
Balance, December 31, 2016	95,626	10,885	106,511
Amortization	6,203	1,575	7,778
Balance, June 30, 2017	**$ 101,829**	**$ 12,460**	**$ 114,289**
Net Book Value:			
December 31, 2016	$ 8,863	$ 1,575	$ 10,438
June 30, 2017	**$ 2,660**	**$ -**	**$ 2,660**

(Expressed in Canadian dollars)

6. INVESTMENT

On April 6, 2017, the Company, with joint venture partner Lexaria Bioscience Corp. (“Lexaria”), incorporated Ambarii Trade Corporation (“Ambarii”), to produce and commercialize a line of healthy, sugar-free, edible cannabinoid sublingual tablets combining the Company’s proprietary pterostilbene tablet form factor and Lexaria’s patented technology.

Ambarii is initially being funded and owned equally by each of the Company and Lexaria. The Company and Lexaria are each contributing its respective technology to Ambarii by way of a license, and will split all profits derived from Ambarii operations on a 50/50 basis.

If either the Company or Lexaria fails to provide its contribution within 20 days from the date required (the “Deficiency”) to Ambarii as required by the financial contributions approved by Ambarii’s board, then the party who has paid its contribution (the “Contributor”) may give written notice to the defaulting party (the “Defaulter”) to pay its Deficiency. If the Defaulter does not pay its Deficiency within 45 days of such notice, the Contributor will not be required to but may pay all or any part of the Deficiency on behalf of the Defaulter (the “Deficiency Contribution”). If the Contributor pays all or any part of the Deficiency on behalf of the Defaulter, the Deficiency Contribution will accrue interest at a rate of prime plus 10%, and will be payable by the Defaulter upon demand. Any Deficiency Contribution payment that has been demanded and not paid within 30 days will be convertible into a 1% ownership interest in Ambarii for every $10,000 of Deficiency Contribution.

Ambarii had insignificant financial transactions in the period from April 6, 2017 to June 30, 2017.

7. SIGNIFICANT NON-CASH ACTIVITIES

There were no significant non-cash financing or investing activities for the six months ended June 30, 2017 and 2016.

8. RELATED PARTY TRANSACTIONS

The Company had transactions with the following related parties:

Related party	**Relationship**
Anfield Sujir Kennedy Durno LLP (“ASKD LLP”)	Director of the Company was formerly a partner at the law firm
Cassels Brock & Blackwell LLP	Director of the Company is a partner at the law firm
Emprise Capital Corp.	Directors and Officers in common with the Company
Lexaria Bioscience Corp.	Joint Venture partner
Ambarii Trade Corporation	Investment in associate

The Company incurred the following expenses with companies controlled by directors and officers of the Company.

Name of the related party	**Nature of the Services**	**June 30, 2017**	June 30, 2016
Cassels Brock & Blackwell LLP	Legal	**$ 7,972**	$ 4,106
Emprise Capital Corp.	Management	**90,000**	90,000
		$ 97,972	$ 94,106

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS (continued)

The following table comprises amounts due to related parties included within accounts payable and accrued liabilities:

	June 30, 2017	December 31, 2016
Directors of the Company	**$ 2,500**	$ 2,500
ASKD LLP	**28,984**	28,982
Cassels Brock & Blackwell LLP	**8,302**	-
Total	**$ 39,786**	$ 31,482

The following table comprises amounts due from related parties for expense advances:

	June 30, 2017	December 31, 2016
Officer/Director	**$ 36,469**	$ 33,458
Director	**13,528**	13,528
Related entity	**4,758**	-
	$ 54,755	$ 46,986

Key management personnel compensation:

Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's executive and non-executive directors, officers and senior management.

	June 30, 2017	**June 30, 2016**
Salaries and benefits	**$ 81,735**	$ 81,881
Directors' fees	**5,000**	5,000
Share-based payments	**82,361**	-
	$ 169,096	$ 86,881

9. NOTE PAYABLE

	Note Payable
Balance, December 31, 2015	**$ 692,000**
Foreign exchange	(37,890)
Repayment	(404,563)
Finance expense	50,881
Balance, December 31, 2016	**$ 300,428**
Repayment	(206,787)
Finance expense	26,443
Balance, June 30, 2017	**$ 120,084**

9. NOTE PAYABLE (continued)

Note Payable

The note payable is unsecured, non-interest bearing, and was to be repaid in equal monthly installments with the final payment due September 18, 2015. On May 4, 2016, the Company entered into a new agreement to repay US$500,000 plus interest at a rate of 6%. As per this agreement, the Company made six monthly payments of US$30,000, followed by two of six monthly payments of US$62,952 in the year ended December 31, 2016. The total amount will include US$57,712 of interest. During the period ended June 30, 2017, the Company made payments totaling US$155,904 and deferred the balance of payments totaling US$38,192, plus interest to the end of 2017.

10. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

As at June 30, 2017, the Company has 5,525,036 (December 31, 2016 – 5,525,036) common shares held in escrow.

(b) Common Share Issuances

For the period ended June 30, 2017:

On May 2, 2017, the Company completed a non-brokered private placement, raising aggregate proceeds of $399,960 by issuing 3,333,000 units at a price of $0.12 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.20 per share until November 2, 2018.

In connection with the placement, the Company paid a cash commission totaling $27,997 and issued 233,310 finders' warrants valued at $12,109 (Note 10(e)). Each finder's warrant entitles the holder to acquire one common share, at a price of $0.20 until November 2, 2018.

For the year ended December 31, 2016:

(i) On July 25, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $469,000 by issuing 4,690,000 units at a price of $0.10 per unit, with each unit consisting of one common share and one half of one common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of $0.18 per share until July 25, 2017.

    In connection with the financing, the Company issued 189,000 common shares as finders' fees valued at $18,900 recorded as share issue costs.

(ii) On September 30, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $250,050 by issuing 1,667,000 units at a price of $0.15 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.25 per share until September 30, 2021.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(b) Common Share Issuances (continued)

For the year ended December 31, 2016 (continued):

(iii) On November 18, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $1,500,000 by issuing 15,000,000 units at a price of $0.10 per unit, with each unit consisting of one common share and one common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of $0.18 per share until May 18, 2018. In connection with the financing, the Company paid finders' fees of $84,600, incurred other share issue costs of $7,875 and issued 846,000 finders' warrants valued at $70,133 (Note 10(e)).

There were 80,736,895 (December 31, 2016 – 77,403,895) common shares outstanding as at June 30, 2017.

(c) Stock Options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Subject to a minimum exercise price of $0.10 per share, the exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The stock options can be granted for a maximum term of 10 years, and vest as determined by the Board of Directors.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015	**2,533,446**	**$ 0.46**
Granted	3,175,000	0.22
Cancelled	(540,000)	0.75
Balance, December 31, 2016	**5,168,446**	**$ 0.28**
Cancelled	(600,000)	0.20
Balance, June 30, 2017	**4,568,446**	**$ 0.29**

A summary of the Company's stock options as at June 30, 2017 are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price	Expiry date	Weighted Average Remaining contractual life (years)
July 15, 2013	216,666	216,666	$ 0.30	July 15, 2018	1.04
November 26, 2014	610,000	610,000	$ 0.75	November 26, 2019	2.41
November 24, 2015	416,000	416,000	$ 0.18	November 24, 2020	3.41
November 24, 2015	375,390	375,390	$ 0.18	November 24, 2017	0.41
November 24, 2015	375,390	375,390	$ 0.25	November 24, 2017	0.41
September 8, 2016	2,575,000	1,287,500	$ 0.22	September 8, 2021	4.19
Total	**4,568,446**	**3,280,946**	**$ 0.29**		3.11

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(c) Stock Options (continued)

During the six months ended June 30, 2017, the Company recorded share-based payments of $96,671 (2016 - $38,174) as a result of stock options vesting during the period. The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	-	1.25%
Expected dividend yield	-	0%
Expected forfeiture	-	0%
Expected life	-	3 years
Expected volatility	-	100%
Fair value per option granted	-	$0.07

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options and results of operations.

(d) Warrants

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	**17,943,964**	**$ 0.38**
Expired	(3,208,631)	0.96
Exercised	(125,000)	0.18
Issued	19,123,200	0.19
Balance, December 31, 2016	**33,733,533**	**$ 0.21**
Issued	3,333,000	0.20
Balance, June 30, 2017	**37,066,533**	**$ 0.21**

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(d) Warrants (continued)

A summary of warrants outstanding as at June 30, 2017 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Price	Expiry date	Weighted Average Remaining contractual life (years)
1,722,333	$0.25 (3)	September 30, 2017	0.25
13,124,200	$0.25 (3)	November 25, 2017(1)	0.41
2,220,000	$0.18 (3)	July 25, 2017(2)	0.07
1,667,000	$0.25 (3)	September 30, 2021	4.25
15,000,000	$0.18 (3)	May 7, 2018	0.85
3,333,000	$0.20 (3)	November 2, 2018	1.34
37,066,533	$0.21		0.82

(1) *Assigned a residual value of $0.02 per warrant from a private placement unit of $0.18.*
(2) *Subsequent to the period ended June 30, 2017, these warrants expired unexercised.*
(3) *Subsequent to the period ended June 30, 2017, under a warrant incentive program, these warrants were exercisable at $0.10 from July 7, 2017 to July 25, 2017. A total of 1,250,000 warrants which would have expired on November 25, 2017 were exercised at $0.10 for proceeds of $125,000. If unexercised during the warrant incentive period, the original exercise prices and terms will continue to apply.*

(e) Finders' Warrants

A summary of the Company's finders' warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	**929,509**	**$ 0.38**
Exercised	(111,200)	0.18
Expired	(221,669)	1.00
Granted	846,000	0.18
Balance, December 31, 2016	**1,442,640**	**$ 0.18**
Granted	233,310	0.20
Balance, June 30, 2017	**1,675,950**	**$ 0.18**

A summary of Company's finders' outstanding as at June 30, 2017 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Prices	Expiry date	Weighted Average Remaining contractual life (years)
596,640	$0.18	November 25, 2017(1)	0.41
846,000	$0.18	May 18, 2018	0.88
233,310	$0.20	November 2, 2018	1.34
1,675,950	$0.18		0.78

(1) *These warrants are exercisable into units. Each unit consists of one common share and one common share purchase warrant exercisable at a price of $0.25 for a period of two years.*

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

(e) Finders' Warrants (continued)

The fair value of the finders' warrants issued during the period ended June 30, 2017 was $12,109 (2016 - $Nil). The fair value is recorded as a share issue cost. The fair value of finders' warrants was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.67%	-
Expected dividend yield	0%	-
Expected forfeiture	0%	-
Expected life	1.5 years	-
Expected volatility	122.8%	-
Fair value per finders' warrant granted	$0.05	-

11. EXPENSES BY NATURE

	For the three months ending June 30,		For the six months ending June 30,	
	2017	2016	**2017**	2016
Operating expenses:				
Advertising and promotion	**$ 93,465**	$ 74,477	**$ 315,679**	$ 416,151
Amortization	**3,889**	3,888	**7,778**	7,777
Consulting fees	**22,548**	45,939	**45,769**	107,568
Rent	**9,696**	6,000	**19,481**	12,000
Salaries and benefits	**142,070**	140,495	**282,858**	256,661
Share-based payments (Note 10(c))	**22,087**	17,877	**96,671**	38,174
Storage and handling costs	**26,185**	1,653	**40,982**	33,605
Telephone and utilities	**3,567**	2,456	**6,574**	5,140
Travel and automobile expenses	**23,294**	27,973	**62,883**	55,340
	$ 346,801	$ 320,758	**$ 878,675**	$ 932,416

	For the three months ending June 30,		For the six months ending June 30,	
	2017	2016	**2017**	2016
General and administrative costs:				
Management fees	**$ 45,000**	$ 63,500	**$ 90,000**	$ 111,000
Meals and entertainment	**9,676**	7,790	**14,574**	12,657
Office and miscellaneous	**8,303**	6,840	**32,991**	26,219
Professional fees	**96,107**	67,648	**146,560**	136,553
Transfer agent and filing fees	**6,479**	3,955	**22,073**	15,117
	$ 165,565	$ 149,733	**$ 306,198**	$ 301,546

12. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholder's equity. The Company's objectives when managing capital are to support the further advancement of the Company's business objectives and existing product lines, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2017, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended June 30, 2017.

13. FINANCIAL INSTRUMENTS

Fair Value

The fair values of cash, due from related parties, goods and services tax receivable, accounts payable and accrued liabilities, and notes payable approximate their carrying values due to their short term maturity.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the Company

a) Implemented a warrant incentive program (Note 10(d)) which resulted in the exercise of 1,250,000 warrants at $0.10 for gross proceeds of $125,000.

b) On July 24, 2017, the Company settled $65,000 of indebtedness through the issuance of 433,333 common shares at a price of $0.15 per share. The common shares issued have a hold period expiring on November 24, 2017.