

# **NeutriSci International Inc.**

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

As at and for the three and nine months ended September 30, 2018 and 2017

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The 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 (“IFRS”) for the preparation of condensed consolidated 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

	September 30, 2018	December 31, 2017
<b>Assets</b>		
Current Assets		
Cash	\$ 6,550	\$ 356,472
Accounts receivable	5,245	52,501
Due from related parties (Note 7)	20,619	13,325
Tax credits receivable	57,922	109,574
Inventory (Note 4)	94,313	59,988
Prepaid expenses	25,418	9,258
<b>Total current assets</b>	<b>210,067</b>	<b>601,118</b>
Equipment (Note 5)	19,089	-
<b>Total Assets</b>	<b>\$ 229,156</b>	<b>\$ 601,118</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 381,632	\$ 420,926
Note payable (Note 8)	15,000	48,805
	396,632	469,731
Shareholders' Equity (Deficiency)		
Share capital (Note 9)	26,367,447	25,169,507
Subscriptions received in advance (Note 9)	-	58,500
Warrants (Note 9)	44,809	114,942
Contributed surplus (Note 9)	3,050,076	2,728,577
Deficit	(29,869,320)	(28,179,651)
Accumulated other comprehensive income	239,512	239,512
	(167,476)	131,387
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 229,156</b>	<b>\$ 601,118</b>

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on November 29, 2018:

"Glen Rehman"

Glen Rehman – CEO

"Robert Chisholm"

Robert Chisholm – CFO

*The accompanying notes are an integral part of these condensed consolidated interim financial statement*

**NeutriSci International Inc.**

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
<b>Sales Revenue</b>	\$ 22,582	\$ 39,837	\$ 58,006	\$ 102,253
<b>Cost of Sales</b>	(18,590)	(34,802)	(54,207)	(100,749)
	<b>3,992</b>	<b>5,035</b>	<b>3,799</b>	<b>1,504</b>
<b>Expenses</b>				
Operating expenses (Note 10)	397,946	381,559	1,316,215	1,260,234
General and administrative costs (Note 10)	104,460	89,691	371,973	395,889
Foreign exchange	252	3,714	2,843	1,077
Bad debt expense (recovery)	(1,093)	-	2,437	
Finance expense (Note 8)	-	1,750	-	28,196
	<b>(501,565)</b>	<b>(476,714)</b>	<b>(1,693,468)</b>	<b>(1,685,396)</b>
<b>Loss and comprehensive loss for the period</b>	\$ (497,573)	\$ (471,679)	\$ (1,689,669)	\$ (1,683,892)
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>99,885,504</b>	<b>81,981,098</b>	<b>99,321,252</b>	<b>79,666,714</b>
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (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)

(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital Amount	Subscriptions Received in Advance	Warrants	Contributed Surplus	Accumulated Other Comprehensive Deficit	Income	Total Shareholders' Equity
<b>Balance, December 31, 2016</b>	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
Warrants exercised	1,250,000	150,000	-	(25,000)	-	-	-	125,000
Shares issued for debt	433,333	65,000	-	-	-	-	-	65,000
Subscriptions received in advance	-	-	89,000	-	-	-	-	89,000
Share-based payments	-	-	-	-	128,944	-	-	128,944
Loss and comprehensive loss for the period	-	-	-	-	-	(1,683,892)	-	(1,683,892)
<b>Balance, September 30, 2017</b>	82,420,228	\$ 24,445,128	\$ 89,000	\$ 390,472	\$ 2,337,399	\$ (27,741,274)	239,512	\$ (239,763)
Share issuances (net)	10,191,984	743,546	-	34,923	-	-	-	778,469
Warrants exercised	50,000	9,000	-	(310,453)	-	-	-	(301,453)
Expiry of warrants	-	-	-	-	310,453	-	-	310,453
Shares issued for debt	-	(28,167)	-	-	-	-	-	(28,167)
Subscriptions received in advance	-	-	(30,500)	-	-	-	-	(30,500)
Share-based payments	-	-	-	-	80,725	-	-	80,725
Loss and comprehensive loss for the period	-	-	-	-	-	(438,377)	-	(438,377)
<b>Balance, December 31, 2017</b>	92,662,212	\$ 25,169,507	\$ 58,500	\$ 114,942	\$ 2,728,577	\$ (28,179,651)	239,512	\$ 131,387
Warrants Exercised	7,060,356	1,181,646	(58,500)	(9,948)	-	-	-	1,113,198
Shares issued for licensing agreement	162,936	16,294	-	-	-	-	-	16,294
Expiry of warrants	-	-	-	(60,185)	60,185	-	-	-
Share based payment	-	-	-	-	261,314	-	-	261,314
Loss and comprehensive loss for the period	-	-	-	-	-	(1,689,669)	-	(1,689,669)
<b>Balance, September 30, 2018</b>	99,885,504	\$ 26,367,447	\$ -	\$ 44,809	\$ 3,050,076	\$ (29,869,320)	239,512	\$ (167,476)

*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 nine months ended September 30,

	<b>2018</b>	<b>2017</b>
<b>Cash provided by / (used in):</b>		
<b>Operating Activities:</b>		
Loss for the period	\$ (1,689,669)	\$ (1,683,892)
Items not affecting cash:		
Depreciation	2,498	10,438
Amortization of licensing fees	12,220	-
Share-based payments	261,314	128,944
Shares for debt	-	65,000
Allowance for bad debts	2,436	-
Unrealized foreign exchange loss	2,325	-
Accrued interest – note payable	-	25,910
Net change in non-cash working capital items:		
Accounts receivable	44,820	-
Tax credits receivable	51,652	(37,386)
Due from related parties	(7,294)	(21,969)
Inventory	(34,325)	(14,427)
Prepaid expenses	(12,086)	77,952
Accounts payable and accrued liabilities	(39,294)	296,470
	(1,405,403)	(1,152,960)
<b>Investing Activities:</b>		
Purchase of equipment	(21,587)	-
	(21,587)	-
<b>Financing Activities:</b>		
Repayment of loans and notes payable	(51,130)	(206,786)
Proceeds from notes payable	15,000	-
Net proceeds from share issuance	-	371,964
Subscriptions received in advance	-	89,000
Warrants exercised	1,113,198	125,000
	1,077,068	379,178
<b>Change in cash for the period</b>	(349,922)	(773,782)
Cash, beginning of the period	356,472	805,789
<b>Cash, end of the period</b>	\$ 6,550	\$ 32,007

Significant non-cash activities (Note 6)

Subsequent events (Note 14)

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

## **NeutriSci International Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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#### **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 and records office is 1600 – 609 Granville St., Vancouver BC, Canada, V7Y 1C3.

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

##### **Change in presentation currency**

During the year ended December 31, 2016 the Company retroactively changed its presentation currency to the Canadian dollar ("Cdn\$") from the United States dollar ("US\$"). The change is detailed in Note 2(c).

##### **Going concern**

The Company has a history of losses and anticipates further losses in the development of its business. As at September 30, 2018, the Company has an accumulated deficit of \$29,869,320. Continuing business as a going concern is dependent upon the success of the neuenergy™ products in the retail storefront and online markets, 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 condensed consolidated interim 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 condensed consolidated interim 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

##### **(a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements are prepared using accounting policies consistent with the Company's annual audited consolidated financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2017 except for the adoption of IFRS 15 and IFRS 9 as discussed in Note 3.

##### **(b) Critical Accounting Estimates**

The preparation of 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 year in which the estimates are revised and in any future periods affected.

## **NeutriSci International Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## **2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

### **(c) Functional and Presentation Currency**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. To date, the functional currency of the Company, Britlor Health and Wellness Inc., 1580306 AB Ltd., Ambarii Trade Corporation, and NeutriSci International Corp. (“NeutriSci International”) has been determined to be the Canadian dollar (“Cdn\$”). The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

During the year ended December 31, 2016, changes to the Company’s sales composition and focus for market penetration has resulted in a change to the currency in which the Company’s management conducts its operating, capital and financing decisions. Consequently, the functional currency of the Company’s subsidiary NeutriSci International became the Cdn\$ effective January 1, 2016, from historically being the United States dollar. Concurrently, the Company adopted the Cdn\$ as the presentation currency for the consolidated entity retrospectively. Upon the change of functional currency as at January 1, 2016, the Company’s accumulated other comprehensive income related to the accumulated translation adjustment totalled \$252,299.

These condensed consolidated interim financial statements are presented in Canadian dollars. All financial information is expressed in Canadian dollars unless otherwise stated.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

Except for the adoption of IFRS 15 and IFRS 9, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2017 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

### **New standards and interpretations adopted**

#### **IFRS 9 *Financial Instruments***

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”).

The Company has adopted IFRS 9 retrospectively as of January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 do not have a material impact on the Company’s consolidated financial statements.

#### *Classification and measurement of financial assets and financial liabilities*

IFRS 9 replaces the guidance in IAS 39, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivable.

## NeutriSci International Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New standards and interpretations adopted (continued)

##### IFRS 9 Financial Instruments (continued)

Financial assets will be classified into one of two categories on initial recognition:

- Financial assets measured at amortized cost; or
- Financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company's financial assets previously carried as loans and receivables are now classified as amortized cost without material impact to carrying values.

##### *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Using the simplified approach for trade receivables, the Company will measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses on trade and other receivables are presented as bad debts expense in the statement of loss and comprehensive loss, similar to the presentation under IAS 39.

The Company has determined that the application of IFRS 9's impairment requirements as at January 1, 2018 does not result in any additional impairment allowances.

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

## NeutriSci International Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### New standards and interpretations adopted (continued)

###### IFRS 15 Revenue from Contracts with Customers (continued)

The Company has adopted the modified retrospective approach which allows the cumulative impact of the adoption to be recognized in retained earnings as of January 1, 2018 and that the comparative figures will not be restated. Changes in accounting policies resulting from the adoption of IFRS 15 do not have a material impact on the Company's consolidated financial statements.

###### Revenue recognition

The Company's revenue is comprised of sales of its neuenergy™ product line. Revenues are recognized when the Company satisfies its performance obligation by transferring control of its product to a customer. Control is considered to be transferred at the time the customer receives the product. All transaction prices are determined through negotiations with customers based on market rates. Segment revenues by geographic region are disclosed in Note 13.

##### New standards and interpretations not yet adopted

The following standard, made mandatory by the IASB, has not yet been adopted by the Company and is being evaluated to determine its impact:

- IFRS 16 *Leases*: 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 *Leases* and instead introduces a single lease accounting model. The standard is effective for annual periods beginning on or after January 1, 2019.

#### 4. INVENTORY

<b>Finished goods</b>	<b>Total</b>
Balance, December 31, 2016	\$ 77,330
Additions	119,293
Cost of goods sold	(41,609)
Promotional (advertising and promotion)	(95,026)
Balance, December 31, 2017	\$ 59,988
Additions	107,385
Cost of goods sold	(25,812)
Promotional (advertising and promotion)	(47,248)
<b>Balance, September 30, 2018</b>	<b>\$ 94,313</b>

The inventory as at September 30, 2018 and December 31, 2017 consists of the neuenergy™ product.

**NeutriSci International Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**4. INVENTORY** (continued)

During the nine-month period ended September 30, 2018, the Company recorded cost of sales of \$54,207 (2017 - \$100,749) comprising \$25,812 (2017 - \$41,309) of inventory with the remainder primarily attributable to shipping and packaging costs.

**5. EQUIPMENT**

	<b>Furniture and Equipment</b>	<b>Computer Equipment</b>	<b>Total</b>
<b>Cost:</b>			
Balance, December 31, 2016 and December 31, 2017	\$ 104,489	\$ 12,460	\$ 116,949
Additions	19,528	2,059	21,587
<b>Balance, September 30, 2018</b>	<b>124,017</b>	<b>14,519</b>	<b>138,536</b>
<b>Accumulated Depreciation:</b>			
Balance, December 31, 2016	\$ 95,626	\$ 10,885	\$ 106,511
Depreciation	8,863	1,575	10,438
Balance, December 31, 2017	104,489	12,460	116,949
Depreciation	2,170	328	2,498
<b>Balance, September 30, 2018</b>	<b>\$ 106,659</b>	<b>\$ 12,788</b>	<b>\$ 119,447</b>
<b>Net Book Value:</b>			
December 31, 2017	\$ -	\$ -	\$ -
<b>September 30, 2018</b>	<b>\$ 17,358</b>	<b>\$ 1,731</b>	<b>\$ 19,089</b>

**6. SIGNIFICANT NON-CASH ACTIVITIES**

The significant non-cash financing or investing activities for the period ended September 30, 2018 included the following:

- Reclassifying \$9,948 from warrant reserve to share capital related to the fair value of finders' warrants exercised (Note 9(b));
- Issuing 162,936 common shares valued at \$16,294 for license fees included in prepaid expenses (Note 9(b)); and
- Reclassifying \$60,185 from warrant reserve to contributed surplus related to the fair value of finders' warrants expired.

The significant non-cash financing or investing activities for the period ended September 30, 2017 included the following:

- Issuing 233,310 finders' warrants valued at \$12,109 (Note 9(e)); and
- Issuing 433,333 common shares to settle debts of \$65,000 (Note 9(b)).

**NeutriSci International Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**7. RELATED PARTY TRANSACTIONS**

The Company had transactions with the following related parties:

<b>Related party</b>	<b>Relationship</b>
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

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

<b>Name of the related party</b>	<b>Nature of the Services</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Cassels Brock & Blackwell LLP	Legal (professional fees)	\$ 8,040	\$ 13,432
Emprise Capital Corp.	Management	135,000	135,000
		\$ 143,040	\$ 148,432

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Officers of the Company	\$ -	\$ 2,500
Due to Directors	28,984	28,984
Cassels Brock & Blackwell LLP	-	12,943
Total	\$ 28,984	\$ 44,427

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Directors	\$ 16,948	\$ 13,325
	\$ 16,948	\$ 13,325

During the period ended September 30, 2018, the Company issued 162,936 common shares valued at \$16,294 to Lexaria Bioscience Corp. in satisfaction of an initial fee for the first twelve months of an Intellectual Property Licence and Supply Agreement.

**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, and officers.

**NeutriSci International Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**7. RELATED PARTY TRANSACTIONS** (continued)**Key management personnel compensation** (continued)

	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Salaries and benefits	\$ 120,795	\$ 120,735
Share-based payments	199,961	30,995
Management fees paid to directors	-	7,500
	<b>\$ 320,756</b>	<b>\$ 159,230</b>

**8. NOTE PAYABLE**

<b>Balance, December 31, 2016</b>	<b>\$ 300,428</b>
Repayment	(277,358)
Finance expense – accrued	25,735
<b>Balance, December 31, 2017</b>	<b>\$ 48,805</b>
Repayment	(51,130)
Foreign exchange	2,325
New note acquired	15,000
<b>Balance, September 30, 2018</b>	<b>\$ 15,000</b>

On December 31, 2015, the Company had an outstanding note payable in the amount of \$692,000 (US\$500,000). On May 4, 2016, the Company entered into an amended agreement to repay this note payable, plus interest at a rate of 6% per annum. 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, for a total of \$404,563 (US\$305,904) during the year ended December 31, 2016. The total amount includes \$76,616 (US\$57,712) of interest. During the year ended December 31, 2017, the Company made payments totaling \$277,358 (US\$210,904) and deferred the balance of payments totalling \$48,805 (US\$40,904). During the period ended September 30, 2018 the Company made payments totalling \$51,130 and recognized foreign exchange of \$2,325.

During the period ended September 30, 2018, the Company acquired a note payable in the amount of \$15,000.

**9. SHARE CAPITAL****(a) Authorized**

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

As at September 30, 2018, the Company has no (December 2017 - 150,875) common shares held in escrow which are released at time intervals.

**NeutriSci International Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**9. SHARE CAPITAL** (continued)

**(b) Common Share Issuances**

**For the period ended September 30, 2018:**

- (i) A total of 7,060,356 warrants with exercise prices of \$0.12, \$0.15, and \$0.18 were exercised for gross proceeds of \$1,181,646, of which \$58,500 had been received as at December 31, 2017. \$9,948 relating to the fair value of finders' warrants exercised was reclassified from warrants reserve to share capital.
- (ii) On April 3, 2018, the Company issued 162,936 valued at \$16,294 to Lexaria Bioscience Corp. in satisfaction of an initial fee for the first twelve months of an Intellectual Property Licence and Supply Agreement. The fair value of the license was included in prepaid expenses at September 30, 2018 and is being amortized on a straight-line basis over the period of one year (Note 10).

**For the year ended December 31, 2017:**

- (i) 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 \$27,996 and issued 233,310 finders' warrants valued at \$12,132. Each finder's warrant entitles the holder to acquire one common share, at a price of \$0.20 until November 2, 2018.

- (ii) On July 24, 2017, the Company settled \$65,000 of accounts payable through the issuance of 433,333 common shares with a fair value of \$36,833. In connection with the settlement, the Company recorded a recovery of \$28,167.

- (iii) On October 6, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$324,550 by issuing 4,636,429 units at a price of \$0.07 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 \$0.12 per share until October 5, 2018.

In connection with the placement, the Company paid a cash commission totaling \$14,945 and issued 213,500 finder's warrants valued at \$5,700. Each finder's warrant entitles the holder to acquire one common share at a price of \$0.12 per share until October 5, 2018.

- (iv) On December 6, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$500,000 by issuing 5,555,555 units at a price of \$0.09 per unit, with each unit consisting of one common share and one half of common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.15 per share until June 6, 2019.

In connection with the Placement, the Company paid a cash commission totalling \$31,136 and issued 345,956 finder's warrants valued at \$29,200. Each finder's warrant entitles the holder to acquire one common share, at a price of \$0.15 per share until June 6, 2019.

**NeutriSci International Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

As at September 30, 2018

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**9. SHARE CAPITAL** (continued)**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
<b>Balance, December 31, 2016</b>	<b>5,168,447</b>	<b>\$ 0.28</b>
Granted	3,450,000	0.13
Cancelled	(1,438,280)	0.20
<b>Balance, December 31, 2017</b>	<b>7,180,167</b>	<b>\$ 0.25</b>
Cancelled / Expired	(679,167)	0.26
<b>Balance, September 30, 2018</b>	<b>6,501,000</b>	<b>\$ 0.24</b>

A summary of the Company's stock options as at September 30, 2018 are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price of Options outstanding	Expiry date	Weighted Average Remaining contractual life (years)
November 26, 2014	460,000	460,000	0.75	November 26, 2019	1.16
November 24, 2015	416,000	416,000	0.18	November 24, 2020	2.02
September 8, 2016	2,275,000	2,275,000	0.22	September 8, 2021	2.94
September 5, 2017	250,000	125,000	0.10	September 5, 2022	3.93
September 29, 2017	500,000	250,000	0.10	September 29, 2022	4.00
December 6, 2017	2,600,000	1,950,000	0.145	December 6, 2022	4.19
<b>Total</b>	<b>6,501,000</b>	<b>5,476,000</b>	<b>\$ 0.24</b>		<b>3.37</b>

During the nine months ended September 30, 2018, the Company recorded share-based payments of \$261,314 (2017 - \$128,944) as a result of stock options vested during the period. No stock options were granted during the period.

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 profit or loss.

**NeutriSci International Inc.**

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As at September 30, 2018

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**9. SHARE CAPITAL** (continued)**(d) Warrants**

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

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2016</b>	<b>33,733,533</b>	<b>\$ 0.21</b>
Expired	(15,816,533)	0.24
Exercised	(1,300,000)	0.10
Issued	10,747,208	0.15
<b>Balance, December 31, 2017</b>	<b>27,364,208</b>	<b>\$ 0.17</b>
Expired	(9,815,200)	0.18
Exercised	(6,940,356)	0.17
<b>Balance, September 30, 2018</b>	<b>10,608,652</b>	<b>\$ 0.17</b>

A summary of warrants outstanding as at September 30, 2018 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Price	Expiry date	Weighted Average Remaining contractual life (years)
1,667,000	\$0.25	September 30, 2021	3.00
3,333,000	\$0.20	November 2, 2018 <sup>(1)</sup>	0.09
3,136,429	\$0.12	October 5, 2018 <sup>(2)</sup>	0.01
2,472,223	\$0.15	June 6, 2019 <sup>(3)</sup>	0.68
<b>10,608,652</b>	<b>\$0.17</b>		<b>0.66</b>

(1) Subsequent to the period ended September 30, 2018, 3,333,000 of these warrants expired unexercised.

(2) Subsequent to the period ended September 30, 2018, 3,136,429 of these warrants were exercised for gross proceeds of \$376,371.

(3) Subsequent to the period ended September 30, 2018, 306,667 of these warrants were exercised for gross proceeds of \$46,000.

**(e) Finders' Warrants**

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

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2016</b>	<b>1,442,640</b>	<b>\$ 0.18</b>
Expired	(596,640)	0.18
Granted	792,766	0.16
<b>Balance, December 31, 2017</b>	<b>1,638,766</b>	<b>\$ 0.17</b>
Expired	(726,000)	0.18
Exercised	(120,000)	0.18
<b>Balance, September 30, 2018</b>	<b>792,766</b>	<b>\$ 0.16</b>

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**9. SHARE CAPITAL** (continued)**(e) Finders' Warrants** (continued)

A summary of finders' warrants outstanding as at September 30, 2018 are as follows:

Number of Warrants outstanding	Weighted Average Exercise Prices	Expiry date	Weighted Average Remaining contractual life (years)
233,310	\$0.20	November 2, 2018 <sup>(1)</sup>	0.09
213,500	\$0.12	October 5, 2018 <sup>(2)</sup>	0.01
345,956	\$0.15	June 6, 2019	0.68
<b>792,766</b>	<b>\$0.16</b>		<b>0.33</b>

(1) Subsequent to the period ended September 30, 2018, 233,310 of these warrants expired unexercised.

(2) Subsequent to the period ended September 30, 2018, 213,500 of these warrants were exercised for gross proceeds of \$25,620.

No finders' warrants were issued during the period ended September 30, 2018.

**10. EXPENSES BY NATURE**

	For the three months ending Sept 30,		For the nine months ending Sept 30,	
	2018	2017	2018	2017
<b>Operating expenses:</b>				
Advertising and promotion	\$ 190,578	\$ 157,443	\$ 455,809	\$ 473,122
Depreciation (Note 5)	941	2,660	2,498	10,438
Consulting fees	9,682	22,892	23,253	68,661
Amortization of licensing fees	4,073	-	12,220	-
Rent	7,800	8,477	23,400	27,958
Salaries and benefits (Note 7)	122,878	137,756	373,775	420,614
Share-based payments (Note 7,9(c))	39,944	32,273	261,314	128,944
Storage and handling costs	3,885	6,924	20,390	47,906
Telephone and utilities	1,828	3,790	5,978	10,364
Travel and automobile expenses	16,337	9,344	137,578	72,227
	<b>\$ 397,946</b>	<b>\$ 381,559</b>	<b>\$ 1,316,215</b>	<b>\$ 1,260,234</b>

	For the three months ending Sept 30,		For the nine months ending Sept 30,	
	2018	2017	2018	2017
<b>General and administrative costs:</b>				
Management fees	\$ 45,000	\$ 45,000	\$ 135,000	\$ 135,000
Meals and entertainment	7,676	1,614	52,197	16,188
Office and miscellaneous	8,022	9,365	46,149	42,356
Professional fees	39,966	26,424	119,869	172,984
Transfer agent and filing fees	3,796	7,288	18,758	29,361
	<b>\$ 104,460</b>	<b>\$ 89,691</b>	<b>\$ 371,973</b>	<b>\$ 395,889</b>

## **NeutriSci International Inc.**

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#### **11. 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 September 30, 2018, 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 September 30, 2018.

#### **12. FINANCIAL INSTRUMENTS**

##### **(a) Fair Value**

As at September 30, 2018 and December 31, 2017, the Company's financial instruments consist of cash, accounts receivable, due from related parties, tax credits receivable, accounts payable and accrued liabilities, and notes payable. Cash and receivables are classified as amortized cost. Accounts payable and accrued liabilities and notes payable are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

##### **(b) Financial Instrument risk**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

###### **i. Credit risk**

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

The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances, tax credits receivable, and due from related parties. As at September 30, 2018, accounts receivable of \$5,245 (December 31, 2017 - \$52,501) are from customers of the Company's neuenergy™ products. The customers represent a well-diversified group of individuals and small to mid-sized companies. There is moderate risk that some of these customers may fail to make payments, however each individual customer amount is not material and the Company actively monitors its monthly collections so as to mitigate the amount of a potential financial impact.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are assessed primarily based on days past due.

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**12. FINANCIAL INSTRUMENTS** (continued)**(b) Financial Instrument risk** (continued)**i. Credit risk** (continued)

The loss allowance provision as at September 30, 2018 is determined as follows:

	<b>0 to 90 days past due</b>	<b>91 and more days past due</b>	<b>Total</b>
Expected loss rate	2%	50%	
Gross carrying amount	\$ 2,925	\$ 32,578	\$ 35,503
Loss allowance provision	\$ 59	\$ 30,199	\$ 30,258

For the nine months ended September 30, 2018, no significant changes were noted for the expected loss rates.

The loss allowance provision for trade receivables as at September 30, 2018 reconciles to the opening loss allowance provision as follows:

	<b>September 30, 2018</b>
<b>Loss allowance provision</b>	
<b>December 31, 2017</b>	\$ 27,822
Applied during the period	2,436
Amounts written off	-
<b>September 30, 2018</b>	\$ 30,258

**ii. Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at September 30, 2018, certain of the Company's accounts payable and accrued liabilities are denominated in US\$. The balance is subject to foreign exchange fluctuation. A 1% change in the foreign exchange rate would impact profit or loss by approximately \$1,568.

**iii. Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates is considered insignificant.

**iv. Price risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## **NeutriSci International Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

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#### **12. FINANCIAL INSTRUMENTS** (continued)

##### **(c) Financial Instrument risk** (continued)

##### **v. Liquidity risk** (continued)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

At September 30, 2018, the Company had a cash balance of \$6,550 to settle current liabilities of \$396,632. The Company is currently subject to significant liquidity risks and remains dependant on the financial support of its debtors and shareholders. Refer to Note 1 for additional details.

#### **13. SEGMENT INFORMATION AND MAJOR CUSTOMERS**

As at and for the period ended September 30, 2018 and the year ended December 31, 2017, all of the Company's non-current assets were located in Canada.

For the period ended September 30, 2018, 94% (2017 – 89%) of the Company's sales were generated in Canada and 5% (2017 – 10%) in the United States with an immaterial balance generated internationally. Three (2017 – three) customers generated more than 10% of the Company's revenues independently at a value of \$44,635 (2017 – \$45,303). The top four customers generated 76% (2017 – 66%) of revenue for the period ended September 30, 2018.

#### **14. SUBSEQUENT EVENTS**

Subsequent to the period ended September 30, 2018, the Company:

- a) closed a non-brokered private placement by issuing 5,544,000 units (each, a "Unit") of the Company at a price of \$0.09 for gross proceeds of \$498,960. Each Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.12 until April 5, 2020; and
- b) granted 3,225,000 stock options to various officers, directors, employees, and consultants with an exercise price of \$0.175 and life of five years. The options vest quarterly over twelve months.