Ventripoint
dot imaging for life
Diagnostics Ltd.

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

JUNE 3O, 2018

(UNAUDITED)

PREPARED BY MANAGEMENT WITHOUT REVIEW BY THE COMPANY'S AUDITORS

Ventripoint Diagnostics Ltd.
Consolidated Statements of Financial Position
Amounts in CDN Dollars

	Note	As at June 30, 2018	As at December 31, 2017
ASSETS			
Cash and equivalents		$552,046	$1,358,923
Accounts receivable	3	46,751	99,809
Inventory		99,717	50,582
Prepaid Expenses		96,695	113,387
Total current assets		795,208	1,622,701
Property and equipment	5	57,996	49,915
Intangible assets		37,340	37,340
Total non-current assets		95,335	87,255
Total assets		$890,543	$1,709,956
LIABLITIES AND SHAREHOLDERS' DEFICIT			
Accounts payable and accrued liabilities	4	$1,206,543	$1,152,366
Derivative liabilities	7	876,808	2,183,831
Total current liabilities		2,083,351	3,336,197
Total liabilities		$2,083,351	$3,336,197
Shareholders' deficit			
Share capital	8	27,841,700	26,565,366
Contributed surplus	8	4,482,545	4,344,397
Deficit		(33,517,052)	(32,536,004)
Total deficit		$(1,192,808)	$(1,626,241)
Total liabilities and shareholders' deficit		$890,543	$1,709,956

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Loss and Comprehensive Loss

Amounts in CDN Dollars

		Three months ended		Six months ended	
	Note	**June 30, 2018**	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Revenue		-	-	-	$38,902
Cost of revenue		1,613	16,817	3,193	66,875
Gross Margin		(1,613)	(16,817)	(3,193)	(27,973)
Expenses					
Research and development	9	368,439	227,161	700,843	408,226
Sales and marketing	9	250,061	124,617	553,202	163,143
General and administrative	9	484,205	306,967	747,239	609,948
Total operating expenses		1,102,705	658,745	2,001,284	1,181,317
Loss from operations		(1,104,318)	(675,562)	(2,004,477)	(1,209,290)
Non-operating income (loss)					
Finance costs		(1,046)	(11,150)	(2,152)	(441,511)
Derivative liabilities revaluation adjustment	7	184,975	2,510,851	1,052,886	(613,611)
Other income (expense)	6(b)	-	-	-	10,401
Gain (loss) on shares issued for debt	6(b)	-	-	-	133,942
Foreign currency differences		(10,336)	16,254	(27,306)	(1,501)
Total non-operating income (loss)		173,593	2,515,955	1,023,428	(912,280)
Loss and comprehensive loss		$(930,726)	$1,840,393	$(981,048)	$(2,121,570)
Basic and diluted loss per share	8	(0.02)	0.04	(0.02)	(0.05)

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.
Consolidated Statements of Cash Flows
Amounts in CDN Dollars

	Note	Six months ended June 30, 2018	June 30, 2017
OPERATING ACTIVITIES			
Net loss		$(981,048)	$(2,121,570)
Adjustments for items not effecting cash:			
Depreciation and amortization	5	12,930	5,522
Share-based compensation	8,9	210,942	55,339
Accretion of debenture and note payable	6	-	13,907
Interest on debenture and notes payable	6	-	18,981
Derivative liabilities revaluation adjustment	7	(1,052,886)	613,611
Gain on shares issued for debt	6(b)	-	(133,942)
Consulting fees & salaries settled with shares	8	174,000	-
Other expense (income)	6(b)	-	(10,401)
Transaction costs for financing activities	8	-	405,598
Foreign exchange gain		27,306	1,501
		(1,608,757)	(1,151,453)
Change in non-cash working capital items:			
Accounts receivable		53,058	(46,983)
Prepaid expenses		16,692	83,134
Inventory		(49,135)	(14,642)
Accounts payable and accrued liabilities		54,177	(245,810)
Deferred revenue		-	(38,902)
Cash used in operating activities		(1,533,964)	(1,414,656)
INVESTING ACTIVITIES			
Additions to property and equipment	5	(21,011)	(2,801)
Cash used in investing activities		(21,011)	(2,801)
FINANCING ACTIVITIES			
Issuance of share capital for cash	7, 8	778,500	4,670,006
Interest paid on debentures and notes in cash		-	(40,382)
Debenture & note repayment in cash		-	(109,000)
Share and debenture issuance costs paid in cash		-	(282,065)
Cash provided by financing activities		778,500	4,238,559
Effect of foreign exchange on cash and equivalents		(30,402)	(2,501)
Net increase (decrease) in cash and equivalents		(806,877)	2,818,601
Cash and equivalents at beginning of period		1,358,923	191,282
Cash and cash equivalents at end of period		$552,046	$3,009,883

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

Amounts in CDN Dollars except numbers of shares

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2017		51,588,508	$26,565,366	$4,344,397	$(32,536,004)	$(1,626,241)
Share-based compensation	8			210,942		210,942
Stock options exercised	8	450,000	189,294	(72,794)		116,500
Warrants exercised	7, 8	2,206,667	916,137			916,137
Liabilities settled with shares	8	551,623	174,000			174,000
Share issuance costs			(3,097)			(3,097)
Loss and comprehensive loss					(981,048)	(981,048)
Balance, June 30, 2018		54,796,798	$27,841,700	$4,482,545	$(33,517,052)	$(1,192,808)

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2016		32,138,218	$22,881,118	$3,701,841	$(28,832,801)	$(2,249,842)
Shares issued with sale of stock	8	10,496,938	3,359,020			3,359,020
Warrants issued with sale of stock	7, 8		(3,359,020)			(3,359,020)
Liabilities settled with shares	6(b), 8	1,575,000	504,000			504,000
Warrants issued with settlement of liabilities	6(b), 7		(504,000)			(504,000)
Shares issued on conversion of convertible debentures	6(c)	766,667	399,389			399,389
Share-based compensation	8			55,339		55,339
Finder's Units issued in connection with sale of stock	8	282,555		123,533		123,533
Stock options exercised	8	375,000	105,142	(44,392)		60,750
Warrants exercised	7, 8	5,904,130	3,168,692			3,168,692
Loss and comprehensive loss					(2,121,570)	(2,121,570)
Balance, June 30, 2017		51,538,508	$26,554,341	$3,836,321	$(30,954,371)	$(563,709)

See accompanying notes to the consolidated financial statements.

1. Corporate information

Ventripoint Diagnostics Ltd. ("Diagnostics" or the "Company") was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint Inc. ("Ventripoint", Diagnostics and Ventripoint, collectively referred to herein as the "Company" or "Companies") on September 18, 2007. Diagnostics is a Canadian public company with its shares listed on the TSX Venture Exchange ("TSXV" or the "Exchange") with the trading symbol "VPT". Ventripoint Inc. was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Ventripoint Inc.'s registration was migrated to the State of Delaware on December 21, 2017. The Companies' registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements for the six month periods ended June 30, 2018 and 2017, have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting.* Accordingly, they do not include all disclosures which would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has applied the same accounting policies and methods of computation in its interim condensed consolidated interim financial statements as in its 2017 annual audited consolidated financial statements.

The June 30, 2017 unaudited comparable statements have been restated to reflect the audited adjustments made for the 2017 audited annual financial statements with respect to the valuation of Derivative Liabilities (see Note 2(d)), and to re-allocate $263,315 of transaction costs from Share Capital to Transaction Costs on the Statement of Loss and Comprehensive Loss.

(b) Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments. These condensed consolidated interim financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $981,048 and had a negative operating cash flow of $1,533,964 for the six month period ended June 30, 2018, and has accumulated $33,517,052 of losses as at June 30, 2018. As a result, there is a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CDN$"), the Company's functional currency. The functional currency of the Company's wholly owned subsidiary is US dollars and has been translated to CDN$ using the closing rate, the spot exchange rate or the annual average exchange rate.

(d) Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2017 annual consolidated financial statements, however, due to the time required and the cost of building individual binomial models to value each warrant issuance and transaction, quarterly financial statements are prepared with derivative values estimated using the Black-Scholes model as a proxy for binomial models. Annual statements are prepared with binomial models and adjusted accordingly. The 2017 comparable interim results have been restated to reflect the audit adjustments made during the 2017 annual audit, arising from the difference between the valuation estimates using the Black-Scholes model and the Binomial models. These valuation adjustments, related to the Private Placement and Debenture retirements, resulted in a net increase to Share Capital of $134,919, an increase in the gain due to repayment of debentures in the Shares for Debt Private Placement (Notes 6(b) and 8) of $76,621, and a net reduction in the Derivative Liability balance of $211,540.

Amounts in Canadian Dollars unless otherwise stated

3. Accounts receivable

	June 30, 2018	December 31, 2017
Goods and services taxes receivable	46,751	99,809
Total	$ 46,751	$ 99,809

4. Accounts payable

	June 30, 2018	December 31, 2017
Trade and other payables	$ 778,375	$ 678,134
Accrued liabilities	428,168	474,232
Total	$ 1,206,543	$ 1,152,366

Accrued liabilities include $309,117 (December 31, 2017 - $364,620) of accrued but unpaid compensation payable to the Company's CEO and President.

5. Property and equipment

Cost:	
Balance December 31, 2016	**$ 244,508**
Additions	39,047
Disposals	(87,936)
Balance, December 31, 2017	**195,619**
Additions	21,011
Disposals	(19,874)
Balance, June 30, 2018	**$ 196,756**
Accumulated depreciation:	
Balance, December 31, 2016	**$ (220,350)**
Depreciation	(12,714)
Disposals	87,360
Balance, December 31, 2017	**(145,704)**
Depreciation	(12,930)
Disposals	19,874
Balance, June 30, 2018	**$ (138,760)**
Net carrying amounts:	
December 31, 2017	$ 49,915
June 30, 2018	$ 57,996

Amounts in Canadian Dollars unless otherwise stated

6. Debentures payable

As at December 31, 2017 the debentures payable were fully paid out. The changes in the debenture balances during the six months ended June 30, 2018 and year ended December 31, 2017 consist of:

Balance, December 31, 2016	**$**	**597,122**
Debentures repaid in cash, (b)		(91,992)
Debentures settled in shares, (b)		(423,753)
Conversion of convertible debentures into shares, (c)		(95,284)
Accretion		13,907
Balance, December 31, 2017	**$**	**-**
		-
Balance, June 30, 2018	**$**	**-**

The conversion features and the warrants issued in connection with the Company's debenture issuances have been valued for consolidated financial statements using either a Binomial pricing model or a Black-Scholes pricing model, with assumptions that are further described in Note 7. All outstanding warrants and debenture conversion features were treated as derivative financial liabilities due to either an acceleration clause (Note 6(b) and Note 7) or a down round clause (Note 6(c)). These Derivative Liabilities are revalued at each financial statement date and adjustments are reflected in the loss.

The debenture obligations are accreted to their face value at maturity using the effective interest rate method.

(a) Convertible Debentures

On August 21, 2013, the Company issued $300,000 of convertible non-secured debentures which matured on August 21, 2016, (the 'August Tranche') and issued a total of 1,500,000 common share purchase warrants with an exercise price of $1.50 for a period of three years from the date of issuance. An additional $500,000 tranche (the 'October Tranche') of Convertible Debentures, maturing October 22, 2016, was issued on October 22, 2013 with the issuance of 2,500,000 common share purchase warrants (August and October Tranches together, "Convertible Debentures").

The Convertible Debentures bear a 12% annual simple interest calculated on the principal amount. Any accrued but unpaid interest is due and payable on the anniversary of the debentures, in either cash or common shares (at the option of the Company), with the number of common shares being determined by using the 10 day volume-weighted average price of the common shares on the TSX Venture Exchange on that date that is five days prior to the anniversary date.

The Convertible Debentures may be converted by the holder at any time following the date of issuance at a price of $1.00 per common share and may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty. An Officer of the Company purchased $100,000 of Convertible Debentures under the offering.

On January 15, 2014 and March 14, 2014, $24,000 and $10,000 respectively, of the August Tranche debentures were converted into 240,000 and 100,000 common shares valued at $13,037 and $5,751 respectively. For the two conversions together, the debenture value was reduced by $3,488 and the conversion feature derivative value was reduced by $15,300.

At maturity, $38,000 of the original August Tranche debenture holders opted to have their Convertible Debentures paid out by way of a shares for debt transaction in the Unit Private Placement on October 4, 2016.

The remaining $228,000 of the August Tranche and $385,000 of the October Tranche were extended for two years with the issuance of common share purchase warrants as described in 6(b) below. The other $115,000 of the October Tranche debentures were amended with the reduction of the conversion price to $0.15 per share from $1.00, as described in 6(c) below.

The warrants issued with the Convertible Debentures in 2013 were amended in June, 2016 to extend their respective maturity dates by two years, reduce the exercise price from $1.50 to $0.40 per common share, and to add an acceleration clause.

Amounts in Canadian Dollars unless otherwise stated

(b) Amended Convertible Debentures with Warrants

On August 21, 2016, and October 22, 2016 the Company amended $228,000 of the August Tranche and $385,000 of the October Tranche of the Convertible Debentures, such that the maturity date of the Convertible Debentures was extended for a period of 24 months to August 21, 2018 and October 22, 2018, respectively (the "Amended Debentures"). In consideration for agreeing to extend the maturity date, the Company issued to the debenture holders an aggregate of 1,519,998 and 2,566,667 common share purchase warrants, respectively for the August and October amendments, exercisable a price of $0.15 per common share for two years from the date of issuance. In all other respects, the terms of the original Convertible Debentures remain unchanged from those described in 6(a).

For financial statement purposes the amendment of the Convertible Debentures is treated as an extinguishment and repurchase of the Convertible Debentures with the issuance of new Amended Debentures. The Amended Debentures were valued at fair market value at the date of issuance of $185,318 and $312,928 for the August Amended Debentures and the October Amended Debentures, respectively, calculated as the present value of the Amended Debenture's cash flows using a market rate of interest of 25%. The debenture obligations, net of transaction costs of $2,795 for August and $4,498 for October, are accreted to face value at maturity, using the effective interest rate method.

The warrants and conversion features of the Amended Debentures were valued using a Binomial model with the following assumptions:

	August Amended Debentures		October Amended Debentures	
	Warrants	Conversion Feature	Warrants	Conversion Feature
Exercise price	$0.15	$1.00	$0.15	$1.00
Time to maturity	2	2	2	2
Risk-free rate	0.56%	0.56%	0.53%	0.53%
Volatility	128.00%	128.00%	129.0%	129.0%
Dividend rate	nil	nil	nil	nil

The August and October warrant values of $155,877 and $201,216, conversion features of $16,643 and $20,058 respectively, are recorded in Derivative Liabilities.

The difference between the fair value of the new instrument and the carrying value of the original loans resulted in losses on amendment of the August and October debentures of $129,838 and $184,461, respectively, which were accounted for in the 2016 loss.

In March, 2017, $109,000 of the Amended Debentures were repaid in cash, which resulted in a gain on retirement of the debentures of $10,400, a reduction in the debenture balance of $91,992 and a reduction in the Derivative Liability balance of $27,409.

The remaining $504,000 of the Amended Debentures were repaid in a shares for debt transaction which closed on March 21, 2017 (see Note 8). The Company issued to the holders of the debentures a total of 1,575,000 units ("Units"), each Unit consisting of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to acquire one common share at a price of $0.50 for a period of 2 years after the issuance of the Warrant. The accreted fair value of the debentures of $423,753 plus the fair value of the conversion features of $213,709 exceeded the fair value of the Units issued to extinguish the debenture resulting in a gain on the shares for debt transaction of $133,942, which is recognized in the loss.

(c) Amended Conversion Convertible Debentures:

Holders of $115,000 of the October Tranche Convertible Debentures (6(a) above) opted at maturity to extend the debentures for two years to October 22, 2018 and to have the debenture conversion price reduced from $1.00 to $0.15 per common share (the "Amended Conversion Debentures"). The Amended Conversion Debentures were also amended to add a clause whereby, if the Company issues common shares or convertible securities which are convertible into common shares at a conversion price which is lower than the amended conversion price of $0.15, the Company will apply to the TSXV Exchange to amend the conversion price of the Amended Conversion Debentures to the 10-day volume-weighted market price of the common shares. As the conversion price can be amended, the conversion feature failed the 'fixed-for-fixed' criteria and was classified as a derivative liability with a fair value of $56,787 at the date of issuance.

For financial statement purposes the amendment of the Convertible Debentures is treated as an extinguishment and the repurchase of the debentures with the issuance of new Amended Conversion Debentures. The Amended Conversion Debenture liability was valued at fair market value at the date of issuance of $93,472, calculated as the present value of the Amended Conversion Debenture's cash flows using a market rate of interest of 25%. The debenture obligation, net of transaction costs of $2,091, is accreted to face value at maturity using the effective interest rate method.

The conversion feature of the Amended Conversion Debentures was valued using a Binomial model with the following assumptions:

	Conversion
Exercise price	$0.15
Time to maturity	2.0
Risk-free rate	0.52%
Volatility	119.50%
Dividend rate	nil

In March, 2017 all $115,000 of the Amended Conversion Debentures were converted to common shares with the issuance of 766,667 shares. The shares were recorded at the total of the accreted fair value of the debentures of $95,284 plus the fair value of the conversion feature of $305,988 at the conversion date.

7. Derivative liabilities and warrants

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. All warrants have been treated as derivative financial liabilities as the exercise price of the warrants may be adjusted if the Company issues common shares at less than 95% of the quoted market price. The fair value movement during the period was recognized in profit or loss (however, warrants issued to agents and brokers are classified as share based payments and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The Company also issues convertible debentures and the conversion features were considered a derivative liability and measured in accordance with the above. The Company uses the Black-Scholes model or a Binomial model to determine the fair value of the Derivative Liabilities at inception and at each period end.

The following table summarizes the changes in Derivative Liabilities during the six months ended June 30, 2018 and the year ended December 31, 2017:

Balance, December 31, 2016	**$ 742,808**
Warrants issued with sale of shares (Note 9)	3,359,020
Warrants issued with Shares for Debt transaction (Note 9)	504,000
Conversion of convertible debentures (Note 7(c))	(304,105)
Warrant exercises	(1,918,455)
Repayment of convertible debentures with Shares for Debt (Note 7(b))	(214,189)
Repayment of convertible debentures with cash (Note 7(b))	(27,409)
Derivative revaluation adjustment	42,161
Balance, December 31, 2017	**$ 2,183,831**
Warrant exercises	(254,137)
Warrant expiries	(5,800)
Derivative revaluation adjustment	(1,047,087)
Balance, June 30, 2018	**$ 876,808**

Amounts in Canadian Dollars unless otherwise stated

Warrant Transactions – 2018

During the first six months of 2018, the Company's warrant holders elected to exercise a total of 2,206,667 warrants at an exercise price of $0.30 per common share. The proceeds to the Company from these warrant exercises totalled $662,000 in cash. Warrant exercises are accounted for as a reduction to the Derivative Liability of the warrant value, revalued at the date of exercise. The common shares issued are recorded as the total of the cash exercise price plus the Warrant value of $254,137, which was determined using a Black-Scholes pricing model (see Note 2(d)) at assumptions which varied with each warrant exercise.

Warrant Transactions – 2017

Private Placement

As part of a Private Placement on March 23, 2017 (Note 8) the Company issued 10,496,938 common share warrants. Each warrant ("Warrant") entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.50 per common share for a period of 2 years after the issuance of the Warrant. The Warrants were initially valued on the grant date at $3,359,020 using a Binomial model with the assumptions outlined below, and recorded in Derivative Liabilities. An Officer and Director of the Company purchased 312,500 of the Units.

The Company paid cash finder's fees of $188,030 and issued an aggregate of 282,555 common shares and 282,555 non-transferable warrants (the "Finder's Warrants") to finders in connection with the Private Placement. Each Finder's Warrant is exercisable into one common share at a price of $0.50 per common chare for a period of two years from the date of issuance. The Finder's Warrants were valued at $123,533 using a Binomial pricing model with assumptions outlined below.

	Warrants	Finder's Warrants
Exercise price	$0.50	$0.50
Time to maturity	2.00	2.00
Risk-free rate	0.77%	0.77%
Volatility	152%	152%
Dividend rate	nil	nil

Shares for Debt Private Placement

On March 21, 2017, as part of the same Private Placement, the Company completed a shares-for-debt ("Shares for Debt") transaction with holders of $423,753 of outstanding Amended Convertible Debentures (Note 6(b)). As part of the transaction, the Company issued to the debenture holders a total of 1,575,000 Warrants. An Officer and Director of the Company was issued 312,500 Warrants in payment of $100,000 of the Amended Convertible Debentures.

The Warrants were initially valued on the grant date at $504,000 using a Binomial model with the assumptions outlined below.

	Warrants
Exercise price	$0.50
Time to maturity	2
Risk-free rate	0.79%
Volatility	152%
Dividend rate	nil

Warrant exercises

During the months of March, April and May, 2017 the Company's warrant holders elected to exercise a total of 5,904,130 warrants at exercise prices ranging between $0.15 and $0.40 per common share. The proceeds to the Company from these warrant exercises totaled $1,250,236 in cash. Warrant exercises are accounted for as a reduction to the Derivative Liability of the warrant value, revalued at the date of exercise. The common shares issued are accounted for as the total of the cash exercise price plus the Warrant value $1,918,455, which was determined using a Binomial model at assumptions which varied with each warrant exercise.

Amounts in Canadian Dollars unless otherwise stated

Warrants outstanding

Changes in the number of warrants outstanding during the six months ended June 30, 2018 and the year ended December 31, 2017 were as follows:

	June 30, 2018		December 31, 2017	
	Number of Warrants	**Weighted average exercise price**	**Number of Warrants**	**Weighted average exercise price**
Balance, January 1	19,321,766	$0.44	13,171,403	$0.30
Granted	-	-	12,354,493	$0.50
Expired	(1,159,947)	$0.40	(300,000)	$1.10
Exercised	(2,206,667)	$0.30	(5,904,130)	$0.21
Balance, period end	**15,955,152**	**$0.47**	**19,321,766**	**$0.44**

The following table reflects warrants outstanding, all of which are exercisable, at June 30, 2018:

Exercise Price	Quantity	Remaining Avg Contractual Life
$0.15	165,000	0.31
$0.30	1,150,000	0.46
$0.40	2,285,659	0.95
$0.50	12,354,493	0.73
$0.47	**15,955,152**	**0.74**

The fair value of the warrants and conversion features at the dates of the statement of financial position of re-measurement for June 30, 2018 and December 31, 2017 were valued using either a Binomial model or a Black-Scholes model with the following weighted average assumptions:

	June 30, 2018	December 31, 2017
Time to maturity	0.74	1.15
Risk-free rate	1.91%	1.66%
Volatility	89.06%	111.14%
Dividend rate	nil	nil

8. Share capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

Share transaction – six months ended June 30, 2018

Warrant Exercises

During the first six months of 2018, the Company issued a total of 2,206,667 common shares due to the exercise of warrants at an exercise price of $0.30 per common share for total proceeds to the Company of $662,000 in cash. The common shares issued due to these warrant exercises are free-trading. The common shares issued are recorded as the total of the cash proceeds plus the Warrant value of $254,137, for a total increase to Share Capital of 916,137.

Stock Option Exercises

In the first six months of 2018, 450,000 shares were issued as a result of the exercise of stock options for proceeds of $116,500. Common shares issued were recorded at a value of $189,294.

Shares for Debt

On April 5, 2018, the Company issued to the CEO 375,000 common shares of the Company in payment of outstanding back pay accrued from 2013 through 2016, of $120,000. The shares were issued at a deemed price of $0.32 per common share in a Shares for Debt transaction.

Also on April 5, 2018, the Company issued 28,125 common shares to a consultant in payment of $9,000 of consulting fees at a deemed price of $0.32 and the Company issued 96,774 shares in payment of a $30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The deemed price of these shares was $0.31.

On June 5, 2018, the Company issued 51,724 common shares to a consultant in payment of $15,000 of consulting fees at a deemed price of $0.29.

Share transactions – 2017

Unit Private Placement

On March 23, 2017 the Company closed a non-brokered private placement (the “Private Placement”) of 10,496,938 units (“Units”) at $0.32 per Unit for total gross cash proceeds of $3,359,020. Each Unit consists of one common share of the Company and one common share purchase warrant (“Warrant”), with each Warrant entitling the holder thereof to acquire one common share at a price of $0.50 per common share for a period of 2 years after the issuance of the Warrant. The common shares and the Warrants are subject to a hold period of four months plus one day from the date of issuance. The Warrants were initially valued on the grant date with the assumptions disclosed in Note 7.

An Officer and Director of the Company, subscribed for 312,500 Units in the Private Placement.

The Company paid cash finder's fees of $188,030 and issued an aggregate of 282,555 common shares and 282,555 non-transferable warrants (the "Finder's Warrants") to finders in connection with the Private Placement. Each Finder's Warrant is exercisable into one common share at a price of $0.50 per common share for a period of two years from the date of issuance. The Finder’s Warrants were valued at $123,533 using a Binomial model with assumptions described in Note 7.

Shares for Debt Private Placement

As part of the Unit Private Placement, on March 21, 2017 the Company completed a shares-for-debt (“Shares for Debt”) transaction with holders of $504,000 of outstanding Amended Convertible Debentures (Note 6(b)). The Company issued to the holders of the debentures a total of 1,575,000 Units. An Officer and Director received 312,500 Units in full payment of $100,000 of the debentures. The shares were recorded at a value of $504,000. The accreted fair value of the debentures of $423,753 plus the fair value of the debenture conversion features exceeded the $504,000 share capital value of the Units resulting in a gain on the Shares for Debt transaction of $133,942, which is recognized in the loss.

Convertible Debenture Conversions

In March, 2017 holders of the Amended Conversion Convertible Debentures (Note 6(c)) converted all $115,000 of the debentures into a total of 766,667 common shares at an exercise price of $0.15 per common share. The 766,666 common shares were recorded at the total of the accreted fair value of the debentures of $95,284 plus the fair value of the conversion feature of $305,987 at the conversion date.

Warrant Exercises

In 2017, the Company issued 5,904,130 common shares due to the exercise of warrants at exercise prices between $0.15 and $0.40, for total proceeds received of $1,250,236 (Note 7). The common shares issued due to these warrant exercises are free-trading. The common shares issued are accounted for as the total of the cash exercise price of the Warrants plus the Warrant value of $1,918,455 for a total increase to Share Capital of $3,168,692.

Stock Option Exercises

In addition, 425,000 shares were issued in 2017 as a result of the exercise of stock options for proceeds of $68,250. Common shares issued were recorded at a value of $116,167.

Weighted average number of shares

The weighted average number of shares for the six month period ended June 30, 2018 was 53,167,977 (June 30, 2017 – 42,754,076). The Company has not adjusted its weighted average number of shares outstanding for the purpose of calculating the diluted loss per share as any adjustment related to stock options or warrants would be anti-dilutive.

Nature and purpose of Contributed Surplus

The reserves recorded in equity on the Company's statement of financial position include 'Contributed Surplus' and 'Deficit'. Contributed Surplus is used to recognize the value of stock option grants, DSUs and finders share purchase warrants prior to exercise. Deficit is used to record the Company's change in deficit from earnings from year to year.

Stock Option Plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to Directors, Officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance in any one period to any one optionee shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allotted to each Director, Officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

Stock option transactions – six months ended June 30, 2018

Stock option grants

Effective January 1, 2018, the new Director of North American sales was granted 50,000 stock options of the Company, with an exercise price of $0.25, a term of 5 years, and vesting quarterly over 3 years.

On March 20, 2018, the Board of Directors granted 120,000 stock options to employees and 50,000 options to the Chair of the Company's new Business Advisory Committee. The options have an exercise price of $0.32, a term of 5 years and vest quarterly over 3 years.

On June 22, 2018 the Board of Directors granted a total of 1,185,000 stock options, of which 325,000 options were granted to three Officers of the Company, 235,000 were granted to employees, 300,000 stock options were granted to four independent Directors, and the remaining 325,000 options were granted to consultants. All options are exercisable at $0.31 per share. Stock options granted to employees and Officers have a term of five years and vest quarterly over three years. Directors' options also have a term of five years and vest quarterly over one year. Of the consultants' options, 300,000 have a term of one year and vest immediately, while 25,000 have a term of three years and vest quarterly over one year.

Stock option exercises

The Company issued 450,000 common shares as a result of the exercise of stock options for proceeds of $116,500. The value of the Share Capital recognized is the total of the cash proceeds from the exercise and the expense previously recognized for the issuance of the stock options, resulting in a total increase to Share Capital of $189,294.

Amounts in Canadian Dollars unless otherwise stated

Stock option transactions – year ended December 31, 2017

Stock option exercises

In 2017, 425,000 stock options were exercised with the issuance of 425,000 common shares, resulting in cash proceeds of $68,250. The value of the Share Capital recognized is the total of the cash proceeds from the exercise and the expense previously recognized for the issuance of the stock options, resulting in a total increase to Share Capital of $116,167. A Director of the Company exercised 75,000 stock options at an exercise price of $0.17 per common share.

Stock option grants

On December 4, 2017 the Board of Directors granted 70,000 stock options to new employees at an exercise price of $0.25, with a term of 5 years, and vesting quarterly over 3 years. In addition, 150,000 stock options were granted to consultants with an exercise price of $0.25, a term of one year, and vesting immediately.

On August 14, 2017 the Board of Directors granted to the new Vice President, Development and Operations 250,000 options at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years. The Board also granted each of the three new Vice Presidents a further 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 3 years. The CEO and CFO were each granted 100,000 stock options each at $0.32 for a term of 5 years, to replace their vested stock options, which were cancelled on July 1, 2017. In addition, the CEO was granted 300,000 new stock options at the same price and term.

Effective July 1, 2017 the Board of Directors of the Company granted to two new Sales Vice Presidents, 250,000 stock options each at an exercise price of $0.32 for a term of 5 years, vesting quarterly over 2 years.

On June 19, 2017 the Board of Directors granted a consultant 50,000 common stock options with an exercise price of $0.32 per share, vesting immediately, and maturing in one year. On May 2, 2017 the Board of Directors granted 445,000 common stock options to six consultants with an exercise price of $0.32 per share and maturing in 2 years. These stock options vest quarterly over one year. In addition, the Board granted 100,000 stock options to the CFO of the Company, with an exercise price of $0.32, maturing in 5 years and vesting immediately.

On January 6, 2017 the Company announced that FronTier Consulting Ltd. ('FronTier') has been retained for 12 months to provide IR services for a fee of $6,000 per quarter, and to provide additional marketing consulting services for $60,000. Under the terms of the agreement the Company also issued 200,000 stock options to FronTier at an exercise price of $0.15 per common share, maturing in 2 years and vesting quarterly over one year.

Stock options outstanding

Changes in the number of options outstanding during the six months ended June 30, 2018 and the year ended December 31, 2017 were as follows:

	6 months ended June 30, 2018		**Year ended December 31, 2016**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance, January 1	3,389,400	$0.38	1,106,400	$0.73
Granted	1,405,000	$0.31	3,015,000	$0.30
Exercised	(450,000)	$0.26	(425,000)	$0.16
Cancelled /expired	(524,000)	$0.33	(307,000)	$1.21
Balance, period end	3,820,400	$0.37	3,389,400	$0.38

Amounts in Canadian Dollars unless otherwise stated

The following table reflects stock options outstanding and exercisable at June 30, 2018:

	Options Outstanding			**Options Exercisable**		
Grant Price Range	**# of options**	**weighted avg remaining life**	**weighted avg exercise price**	**# of options**	**weighted avg remaining life**	**weighted avg exercise price**
≤ $0.25	195,000	5.74	$0.22	94,999	7.09	$0.19
≤ $0.32	3,260,400	3.76	$0.32	1,636,230	2.91	$0.32
$0.33 - $1.25	365,000	1.23	$0.98	365,000	1.23	$0.98
	3,820,400	3.62	$0.37	2,096,229	2.81	$0.43

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes model with the following weighted average assumptions:

	June 30, 2018	**June 30, 2017**
Expected option life	4.12	2.65
Risk-free rate	1.63%	76.00%
Expected forfeiture rate	6.00%	6.00%
Expected volatility	147.21%	170.86%
Dividend yield	nil	nil

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise. The forfeiture rate is an estimate based on historical evidence and future expectations. The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

9. Personnel costs

Personnel costs for the six month periods ended June 30, 2018 and 2017 were as follows:

	June 30, 2018	**June 30, 2017**
Salaries, fees and short-term benefits	$ 876,841	$ 229,189
Share-based compensation	210,942	55,339
Total	$ 1,087,782	$ 284,529

10. Contractual commitments

The Company has the following contractual obligations as of June 30, 2018:

	2018	**2019**	**2020**	**2021-2027**	**Total**
Premises lease	$22,329	$45,575	$46,799	$84,727	$199,430
University of Washington Technology License					
Minimum Annual Royalty	-	6,386	6,386	44,702	57,474
Total contractual commitments for the period	$22,329	$51,961	$53,185	$129,429	$256,904

Amounts in Canadian Dollars unless otherwise stated

The annual Royalty due to the University of Washington under the Technology License Agreement is the higher of 3% of gross sales or the Minimum Annual Royalty of US$5,000.

In October, 2017, the Company moved into new leased office premises at 2 Sheppard Ave East, Suite 605, Toronto, Ontario. The lease is a 5 year lease with annual increases in base rent, which is expensed evenly over the lease period for financial statement purposes.

11. Related parties

The key management personnel of the Company are the Directors, the Chief Executive Officer, the President, and the Chief Financial Officer. Compensation for key management personnel of the Company for the six month periods ended June 30, 2018 and 2017 was as follows:

	2018	2017
Salaries, fees and short-term benefits	$ 311,837	$ 227,960
Share-based compensation	32,940	29,894
Directors' fees	52,396	20,089
Debenture interest	-	2,630
Total key management personnel expenses	$ 397,173	$ 280,574

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Officers may participate in the Company's health plan. Directors receive annual and meeting fees for their services. As at June 30, 2018 the key management personnel control 2.51% of the outstanding voting shares of the Company (7.16% on a fully diluted basis).

On June 22, 2018 the Board of Directors granted 325,000 stock options to three Officers of the Company at an exercise price of $0.31 per common share, and a term of five years, vesting quarterly over three years. The Board also granted the four independent Directors 75,000 stock options each at an exercise price of $0.31, for a term of five years, vesting quarterly over one year.

12. Financial instruments

The Company's financial instruments consist of cash and equivalents, accounts payables and accrued liabilities, debentures payable and derivative liabilities. Cash and equivalents are classified as loans and receivables, which are measured at fair value. Accounts payable and accrued liabilities and debentures payable are classified as other financial liabilities, which are also measured at amortized cost. Derivative financial liabilities are measured at fair value.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (ie, as prices) or indirectly (ie. derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company measures its derivative liabilities at fair value through profit or loss and has determined this valuation to be a level 2 valuation as it is based on inputs that are observable.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and equivalents, and trade accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within operating expenses. When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Within the accounts receivable, all amounts receivable are considered to be collectible. The carrying amount of financial assets represents the maximum credit exposure. The Accounts Receivable in both 2018 and 2017 are entirely made up of refundable sales tax due from the Federal Government.

The maximum exposure to credit risk as at June 30, 2018 and December 31, 2017 was:

	June 30, 2018	December 31, 2017
Cash and equivalents	$ 552,046	$ 1,358,923

***(b) Liquidity risk*:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financial activities. The majority of the Company's financial liabilities are due within 90 days. The Company has no long-term financial liabilities.

The following table consists of accounts payable and accrued liabilities and sets out contractual maturities (representing undiscounted contractual cash flows) of the financial liabilities outstanding at June 30, 2018:

	2018				
	Q1-Q2	Q3-Q4	2019	2020-2022	Total
Accounts payable & accrued liabilities	$1,192,048	184	4,584	9,727	$1,206,543

The contractual maturities of commitments at period end are included in Note 10.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

(d) Foreign currency risk:

The majority of the Company's purchases were made in Canadian dollars in 2018 and 2017. None of the Company's equipment sales in 2017 were denominated in foreign currencies. The Company's capital and debt transactions are denominated in Canadian dollars and the Company now maintains most of its cash and equivalents in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates.

With all other variables held constant, a 10% point increase in the value of the U.S. dollar relative to the Canadian dollar would have increased the non-operating loss due to foreign currency differences by approximately $8,035 for the six months ended June 30, 2018 (2017 - $9,560). There would be an equal and opposite impact on the net loss with a 10% point decrease in the value of the U.S. dollar relative to the CDN$.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings. The Company manages this risk by pricing sales in CDN$. The Company has not entered into any forward foreign exchange contracts.

Amounts in Canadian Dollars unless otherwise stated

The Company was exposed to currency risk as at June 30, 2018 and December 31, 2017 as follows:

	2018 US$	2017 US$
Cash and equivalents	$ 108,555	$ 145,231
Accounts receivable	-	-
Accounts payable and accrued liabilities	499,879	521,472
Total	$ 608,434	$ 666,703

13. Subsequent events

On July 3, 2018, the Company issued 94,774 shares in payment of a $30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The deemed price of these shares was $0.31.

On August 15, 2018 the Company announced that it intends to complete a non-brokered private placement of up to 4,761,905 units ("Units") at $0.21 per Unit for total gross proceeds of up to $1,000,000 (the "Offering"). Each Unit will consist of one common share of Ventripoint ("Common Share") and one-half of one Common Share warrant ("Warrant"). Each Warrant will entitle the holder thereof to acquire one additional Common Share at a price of $0.34 per Common Share for a period of 2 years after the issuance of the Warrant.

The Company will use the proceeds of the Offering for sales and marketing, development and general working capital purposes.

The Common Shares and the Warrants issued pursuant to the Offering will be subject to a hold period of four months plus one day from the date of closing of the private placement, except as permitted by applicable securities legislation. The Offering is subject to final approval by the TSXV Exchange.