TerraBioGen
Technologies Inc.

CONSOLIDATED FINANCIAL STATEMENTS

TERRABIOGEN TECHNOLOGIES INC.

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of TerraBioGen Technologies Inc.

We have audited the accompanying consolidated financial statements of TerraBioGen Technologies Inc., which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TerraBioGen Technologies Inc. as at June 30, 2018 and June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that TerraBioGen Technologies Inc. has a working capital deficiency, accumulated deficit and has incurred negative cash flows from operating activities. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about TerraBioGen Technologies Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants
October 12, 2018
Vancouver, Canada

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
ASSETS				
Current Assets				
Cash	**$**	**105,631**	$	213,957
Amounts receivable (Note 6 and 16)		**9,880**		15,298
Inventory		**23,610**		23,610
Deposits and prepaid expenses (Note 7)		**14,384**		17,497
Total Current Assets		**153,505**		270,362
Property and equipment (Note 8)		**98,933**		115,990
Other assets		**7,312**		47,355
TOTAL ASSETS	**$**	**259,750**	$	433,707
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Note 9)	**$**	**275,093**	$	342,022
Convertible loans (Note 11)		**300,000**		-
Total Current Liabilities		**575,093**		342,022
Other long term liabilities		**10,988**		6,447
TOTAL LIABILITIES		**586,081**		348,469
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 12)		**40,955,371**		40,478,088
Contributed surplus		**2,941,138**		2,842,421
Accumulated Deficit		**(44,222,840)**		(43,235,271)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(326,331)**		85,238
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	**$**	**259,750**	$	433,707

Nature of Operations and Going Concern (Note 1)
Commitments (Note 17)

Subsequent event (Note 19)

Signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
EXPENSES		
Administration (Note 13 & 14)	$ 364,229	$ 621,435
Research and development, net (Note 14 & 16)	624,813	656,479
	989,042	1,277,914
Gain on sale of assets	3,898	-
Interest expense	(3,511)	(3,646)
Interest income	224	121
Other income	862	1,459
NET LOSS AND COMPREHENSIVE LOSS	$ (987,569)	$ (1,279,980)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.42)	$ (0.63)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	2,377,124	2,020,707

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Common Shares				
	Number of Shares	Amount	Contributed Surplus	Accumulated Deficit	Total
Balance at June 30, 2016	1,967,513	$ 39,656,113	$ 2,405,759	$ (41,955,291)	$ 106,581
Shares and warrants issued for cash (Note 12)	276,000	821,975	174,025	-	996,000
Stock based compensation (Note 12)	-	-	262,637		262,637
Net loss for the year	-	-	-	(1,279,980)	(1,279,980)
Balance at June 30, 2017	2,243,513	$ 40,478,088	$ 2,842,421	$ (43,235,271)	$ 85,238
Shares and warrants issued for cash (Note 12)	192,000	477,283	98,717	-	576,000
Net loss for the year	-	-	-	(987,569)	(987,569)
Balance at June 30, 2018	2,435,513	$ 40,955,371	$ 2,941,138	$ (44,222,840)	$ (326,331)

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
OPERATIONS		
Net loss	**$ (987,569)**	$ (1,279,980)
Items not involving cash:		
Depreciation (Note 8)	**36,891**	69,271
Gain on sale of assets	**(3,898)**	-
Share based compensation	**-**	262,637
Amoritzation of deferred rent	**7,242**	6,932
Interest expense	**3,511**	3,646
Write off of other assets	**40,043**	-
Accretion on provision for dismantling	**-**	196
	(903,780)	(937,298)
Changes in non-cash working capital balances:		
Amounts receivable	**5,418**	(9,041)
Deposits and prepaid expenses	**3,113**	2,456
Inventory	**-**	(18,781)
Accounts payable and accrued liabilities	**(70,880)**	12,696
	(62,349)	(12,670)
Interest paid	**(2,261)**	(3,646)
CASH USED IN OPERATING ACTIVITIES	**(968,390)**	(953,614)
INVESTING		
Proceeds from disposal of equipment	**6,000**	-
Purchase of property and equipment (Note 8)	**(21,936)**	(5,284)
CASH USED IN INVESTING ACTIVITIES	**(15,936)**	(5,284)
FINANCING		
Shares and warrants issued for cash (Note 12)	**576,000**	996,000
Convertible loans (Note 11)	**300,000**	-
CASH PROVIDED BY FINANCING ACTIVITIES	**876,000**	996,000
Increase (decrease) in cash	**(108,326)**	37,102
Cash, beginning of year	**213,957**	176,855
CASH, END OF YEAR	**$ 105,631**	$ 213,957

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

1. NATURE OF OPERATIONS AND GOING CONCERN

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993. The address of the Company's corporate office and principal place of business is 8536 Baxter Place, Burnaby, BC V5A 4T8. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company has identified active ingredients that impact growth promotion and disease suppression in plants, and is planning to commercialize this technology. In recent years, the Company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved a scalable commercialization of its products. At June 30, 2018, the Company had a working capital deficiency of $421,588 (2017 - $71,660) and an accumulated deficit of $44,222,840 (2017 - $43,235,271). For the year ended June 30, 2018 the Company had incurred a net loss of $987,569 (2017 - $1,279,980) and a net cash outflow from operating activities of $968,390 (2017 - $953,614).

The Company's ability to continue its operations as a going concern and to realize its assets' carrying values is dependent upon its ability to generate product sales, obtain government research grants, raise additional equity and/or debt financings from its major shareholders, and ultimately, attain and maintain profitable operations and positive operating cash flows. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern. Failure to obtain sufficient financing or other appropriate arrangements would require the Company's assets and liabilities to be restated on a liquidation basis which may differ significantly from the going concern basis.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, the statement of financial position classifications used and disclosures which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended June 30, 2018 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on October 12, 2018.

Basis of Presentation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value as described in Note 3. The accounting policies applied in these consolidated financial statements as described below, have been applied consistently to all periods presented as if the policies have always been in effect.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements and estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the periods ended. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

<u>Critical accounting judgment</u>
Information about critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to evaluation of the Company's ability to continue as a going concern. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the financial statement issuance date. The assessment of the Company's ability to execute its strategies and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

<u>Assumptions and estimation uncertainty</u>
Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 11 Convertible loans - Measurement of inception fair value of loans based on estimated market rate of interest for similar debt facility without an equity conversion option.
- Note 12 Share capital - Measurements of fair value allocation between common share and share purchase warrant issued as a unit
- Note 15 Income taxes - recognition of deferred tax assets and determination of valuation allowance

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation - These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Genica Inc., which has been inactive since June 2012. All intercompany balances and transactions have been eliminated upon consolidation.

Revenue recognition - Revenue is recognized when the significant risks and rewards are transferred to the customers, persuasive evidence of the arrangement exists, the price is fixed and determinable and collection of the relevant receivable is probable, which is generally at the completion of the transaction. Revenue is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

Cash and cash equivalents - The Company considers all highly liquid investments with an original term to maturity of three months or less when acquired to be cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories - Inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing the appropriate inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market demand, technology and design, which would make inventory on hand obsolete.

Property and equipment - Property and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any direct costs to bring the asset into productive use at its intended location. Where the costs of certain components of an item of property and equipment are significant in relation to the total cost of an item and have different useful lives, they are accounted for and depreciated separately. Depreciation is determined based on the following annual rates:

Leasehold improvements	straight-line over lesser of useful life or initial lease term
Laboratory and plant equipment	20 - 30% declining balance
Office and computer equipment	20 - 30% declining balance
Mobile equipment	30% declining balance

Depreciation methods and useful lives are reviewed at each reporting date, and adjusted prospectively if there is an indication of a significant change since the last reporting date.

Property and equipment are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable. Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statements of loss and comprehensive loss.

Research and development - Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets specific criteria for capitalization. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development to use or sell the asset. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses.To date, no development costs have been capitalized.

Government assistance - Government grants are recognized and recorded as a reduction of research and development expenses where there is reasonable assurance that the grant will be received and all attaching conditions are met. Reimbursements of eligible costs pursuant to government corporate programs are recorded as a reduction of total costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Claims not settled by the statement of financial position date are recorded as a receivable on the consolidated statements of financial position. The determination of the amount of the claim, and hence the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government and corporate agencies. Any funds received in advance of expenditures or eligibility requirements are recorded as deferred contributions on the consolidated statements of financial position and adjusted as subsequent claims are made by the Company.

If a grant becomes repayable, it will be treated as a change in estimate and recorded prospectively. Where the original grant is related to income, the repayment would be applied first against any related undepreciated deferred contributions, and any excess will be recognized as an expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases - Leases are classified as either finance or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as finance leases. At the inception of a finance lease, the equipment and an obligation is recorded at the lower of its fair value and the present value of the minimum lease payments. Equipment under a finance lease is depreciated on a declining-balance basis at rates varying from 20 to 30% per annum, which approximates the equipment's estimated useful life. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

All other leases are classified as operating leases. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

Provisions - A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

Decommissioning provisions - The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

Impairment - The carrying amounts of the Company's property and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes - Income tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are recognized as an expense and included in income or loss for the period, except to the extent that the tax arises from a transaction which is recognized in other comprehensive income or directly in equity.

Current tax expense is the amount of income taxes payable (recoverable) in respect of the taxable income (tax loss) for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the consolidated statements of financial position and its tax base, the carry-forward of unused tax loses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation - The Company provides an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based compensation is charged to the consolidated statements of loss and comprehensive loss with a corresponding credit recorded to contributed surplus. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.
Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of loss and comprehensive loss over the remaining vesting period.
The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Share capital - Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options, net of any tax effects, are recognized as a deduction from equity. Equity instruments issued to agents are considered share issue costs and are measured at their fair value at the date of grant.

Foreign currency translation - The functional currency of the Company, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Foreign denominated monetary assets and liabilities are translated at the period-end rates of exchange. Non-monetary assets and liabilities are translated using the exchange rates prevailing at the date of the transaction. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are recognized in the consolidated statements of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (loss) per common share - Basic earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury stock method in which the dilutive effect on loss per share is recognized based on the proceeds that could be obtained from the exercise of options, warrants, and similar instruments. As at June 30, 2018, 175,500 share options (2017 - 177,000) and 925,125 warrants (2017 - 869,125) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

Financial instruments - All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”). The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets classified at FVTPL are subsequently measured at fair value with unrealized gains and losses recognized through profit or loss. Financial assets classified as loans and receivables and held to maturity are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Financial assets classified as available-for-sale are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income except for impairment losses that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its costs in which case losses are recognized in profit and loss.

Financial assets not carried at FVTPL are assessed at each reporting date to determine whether there is objective evidence that it is impaired. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial liabilities are initially recognized at fair value on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. All financial liabilities are initially recorded at fair value and designated upon inception at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost, using the effective interest method. Financial liabilities classified at fair value through profit or loss are subsequently measured at fair value with unrealized gains and losses recognized through profit or loss.

Transaction costs associated with financial assets or financial liabilities classified at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets or financial liabilities are included in the initial carrying amount of the assets or liabilities.

The Company classifies cash and cash equivalents and amounts receivable as loans and receivables, and accounts payable and accrued liabilities and convertible loans as financial liabilities at amortized cost. The Company does not have any derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting policy - An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities. The Company operates in one segment which encompasses the research and development to identify and characterize the active ingredients in its products and corporate activities to support research and development. All of the Company's property and equipment is located in Canada.

Comparative figures - Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

4. NEW ACCOUNTING PRONOUNCEMENTS

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

IFRS 2 - Share-based payments
On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of amendments and has determined that the amendments will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 9 - Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 *Financial Instruments* standard ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

IFRS 9 - Financial Instruments (continued)

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of IFRS 9 and has determined that IFRS 9 will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of IFRS 15 and has determined that IFRS 15 will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16") which supersedes IAS 17 - Leases. IFRS 16 establishes principals for the recognition, measurements presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operation lease distinctions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 - Revenue from Contracts with Customers. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and does not intend to early adopt the standard.

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount of expected value depending on whichever method better predicts the amount payable (recoverable).

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The Company is currently evaluating the impact of IFRIC 23 on its consolidated financial statements and does not intend to early adopt the standard.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and convertible loans.

Fair value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

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

The Company believes the recorded values of all financial instruments approximate their current fair values because of their nature and short term maturity dates.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk through the financial assets and liabilities denominated in currencies other than Canadian Dollars. Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar. At June 30, 2018 and June 30, 2017, a 10% strengthening (weakening) of the Canadian dollars against the United States dollars, with other variables held constant, would not result in a significant impact in the consolidated statements of loss and comprehensive loss. Management believes that the Company is not subject to significant foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk arising primarily from fluctuations in market interest rates on its cash and cash equivalents and on its credit facility (Note 10) which are at variable rates of interest. At June 30, 2018 and June 30, 2017, a 0.25% decline in interest rates, with all other variables held constant, would not result in a significant impact in the consolidated statements of loss and comprehensive loss. The Company's convertible loans are at fixed rates (Note 11); therefore, these are not exposed to the interest rate risk. Management believes that the Company is not subject to significant interest rate risk.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are subject to credit risk for a maximum of the amount shown on the consolidated statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Amounts receivable is comprised primarily of amounts due from the Government of Canada. Management believes that the Company is not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents to meet its liquidity requirements at any point in time. The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuances when required.

(Expressed in Canadian Dollars)

6. AMOUNTS RECEIVABLE

		2018		2017
Goods and Services Tax	$	**7,360**	$	15,102
Other		**2,520**		196
	$	**9,880**	$	15,298

7. DEPOSITS AND PREPAID EXPENSES

		2018		2017
Prepaid insurance premiums	$	**10,184**	$	9,819
Other		**4,200**		7,678
	$	**14,384**	$	17,497

8. PROPERTY AND EQUIPMENT

2018

	Laboratory and plant equipment	Mobile equipment	Leasehold improvements	Office and computer equipment	Total
Costs					
Balance, July 1, 2017	$ 661,521	$ 12,115	$ 97,349	$ 192,226	$ 963,211
Additions	21,396	-	-	540	21,936
Disposals	-	(2,102)	-	-	(2,102)
Balance, June 30, 2018	$ 682,917	$ 10,013	$ 97,349	$ 192,766	$ 983,045
Accumulated depreciation					
Balance July 1, 2017	$ 555,110	$ 9,644	$ 97,349	$ 185,118	$ 847,221
Depreciation	34,712	369	-	1,810	36,891
Balance, June 30, 2018	$ 589,822	$ 10,013	$ 97,349	$ 186,928	$ 884,112
Carrying amount at June 30, 2018	$ 93,095	$ -	$ -	$ 5,838	$ 98,933

2017

	Laboratory and plant equipment	Mobile equipment	Leasehold improvements	Office and computer equipment	Total
Costs					
Balance, July 1, 2016	$ 656,237	$ 12,115	$ 97,349	$ 192,226	$ 957,927
Additions	5,284	-	-	-	5,284
Balance, June 30, 2017	$ 661,521	$ 12,115	$ 97,349	$ 192,226	$ 963,211
Accumulated depreciation					
Balance July 1, 2016	$ 511,175	$ 8,584	$ 75,450	$ 182,741	$ 777,950
Depreciation	43,935	1,060	21,899	2,377	69,271
Balance, June 30, 2017	$ 555,110	$ 9,644	$ 97,349	$ 185,118	$ 847,221
Carrying amount at June 30, 2017	$ 106,411	$ 2,471	$ -	$ 7,108	$ 115,990

Total depreciation expense for the year ended June 30, 2018 was $36,891 (2017 - $69,271). Of this amount, $2,179 (2017 - $25,335) is allocated to administration, and $34,712 (2017 - $43,936) is allocated to research and development.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2018		2017
Trade payables	$	**14,998**	$	60,690
Accrued liabilities		**35,397**		33,218
Vacation payable		**14,698**		8,296
Salaries payable		**-**		29,818
Customer deposits		**210,000**		210,000
	$	**275,093**	$	342,022

10. CREDIT FACILITY

The Company has a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a $100,000 operating loan which bears interest at the bank's prime rate plus 1.25% per annum and is payable on demand. The loan is secured by a general security agreement providing a first security interest in all of the Company's assets and ranks ahead of all other loans. As at June 30, 2018 and June 30, 2017, the Company had no outstanding drawings against this credit facility.

11. CONVERTIBLE LOANS

During 2018 the Company issued $300,000 of convertible loans ("Loans") to multiple lenders, $150,000 of which were issued to a director of the Company in May 2018 and the remaining $150,000 were issued to other lenders in June 2018. The Loans are due for repayment in one year from the issuance dates and bear interest at 5% per annum, payable quarterly. With 7 days advance notice the lenders may demand repayment of the Loans with any unpaid accrued interests prior to the maturity dates. The Loans are convertible, at the holders' option, into 300,000 common voting shares of the Company and 300,000 share purchase warrants exercisable at $1.50 per share over a term of 5 years. The Loans are secured by a general security agreement providing a second security interest in all of the Company's assets.

The Loans are compound financial instruments which include a debt host liability and an equity conversion option component. The liability component shall represent the estimated fair value of a similar debt without an equity conversion option and the equity component shall represent the residual amount after removal of the liability component at the date of issuance. The Company used a discount rate of 5.6% by reference to market interest rates of Canadian high yield bond index to estimate the fair value of the liability component. The estimated fair value of the liability component at the date of issuance were determined to approximate the face value of the Loans. Accordingly nil amount was allocated to the equity component.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

Authorized Share Capital

- Common voting shares - unlimited number of common voting shares without par value.
- Common non-voting - unlimited number of common non-voting shares without par value.
- Preferred shares - unlimited number of preferred shares without par value.

Issued and outstanding:

- Common shares - 2,435,513 and 2,243,513 issued and outstanding as at June 30, 2018 and 2017
- Common non-voting - There have been no common non-voting shares issued as at June 30, 2018 and 2017.
- Preferred shares - There have been no preferred shares issued as at June 30, 2018 and 2017.

The following share transactions have occurred during the year ended June 30, 2018 and 2017:

- January 24, 2017, the Company issued 84,000 units at $5.00 per unit for gross proceeds of $420,000, of which, $210,000 (42,000 units) was invested by a director of the Company. Each unit consists of one common share and one warrant exercisable at $6.00 per share until January 23, 2022.

- On May 30, 2017, the Company issued 192,000 units at $3.00 per unit for gross proceeds of $576,000, of which, $288,000 (96,000 units) was invested by a director of the Company. Each Unit consists of one common share and one warrant exercisable at $5.00 per share until May 29, 2022.

- On October 20, 2017, the Company issued 192,000 units at $3.00 per unit for gross proceeds of $576,000, of which, $288,000 (96,000 units) was invested by a director of the Company. Each Unit consists of one common share and one warrant exercisable at $5.00 per share expiring October 19, 2022.

Warrants

Details of share purchase warrants during the periods ended June 30, 2018 and 2017 are as follows:

	2018		2017	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Outstanding, beginning of year	**869,125**	**8.93**	593,125	10.62
Issued	**192,000**	**5.00**	276,000	5.30
Expired	**(136,000)**	**12.00**	-	-
Outstanding, end of year	**925,125**	**7.66**	869,125	8.93

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

As at June 30, 2018, the Company had share purchase warrants outstanding and exercisable as follows:

Number of Warrants Outstanding and Exercisable		Exercise Price per Share	Expiry Date	Weighted average Remaining Life
June 30, 2018	June 30, 2017			
-	90,000	$12.00	March 6, 2018	-
-	46,000	$12.00	May 31, 2018	-
43,000	43,000	$12.00	Sept. 5, 2018	0.18 years
42,000	42,000	$12.00	Oct. 24, 2018	0.32 years
8,123	8,123	$12.00	Oct. 30, 2018	0.33 years
21,000	21,000	$12.00	Jan. 22, 2019	0.56 years
21,000	21,000	$12.00	April 24, 2019	0.82 years
21,000	21,000	$12.00	June 10, 2019	0.95 years
21,000	21,000	$12.00	Sept. 8, 2019	1.19 years
42,000	42,000	$12.00	Dec. 28, 2019	1.50 years
42,000	42,000	$12.00	Feb. 18, 2020	1.64 years
42,000	42,000	$12.00	July 12, 2020	2.04 years
84,000	84,000	$6.00	Dec. 28, 2020	2.50 years
70,002	70,002	$7.50	May 5, 2021	2.85 years
84,000	84,000	$6.00	Jan. 23, 2022	3.57 years
192,000	192,000	$5.00	May 29, 2022	3.92 years
192,000	-	$5.00	Oct. 19, 2022	4.31 years
925,125	869,125			**2.81 years**

The Company uses the Black-Scholes pricing model to estimate the fair value of share purchase warrants. The fair value of the warrants as estimated using the Black-Scholes pricing model also considers a discount factor due to the lack of liquidity of the warrants. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	2018	2017
Risk-free interest rate	**1.70%**	0.99%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**68%**	67%
Expected life of warrants	**5.00 years**	5.00 years
Discount factor	**50%**	50%

The weighted average fair value of the warrants issued during the period was $0.51 (2017 - $0.75).

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Plan") instituted in 1999 and amended, most recently in November 2016. Options issued pursuant to the Plan have an exercise price as determined by the Board. Options have a maximum expiry period of ten years from the grant date. The number of options, which may be issued under the plan, is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. The aggregate number of options granted to any one optionee in a twelve-month period is limited to 5% of the Company's issued shares at the time the options are granted. Options granted under the plan are subject to vesting terms determined by the Board. All options are to be settled by the physical delivery of shares. Only optionees who remain in service to the Company shall be entitled to purchase common non-voting shares.

A summary of the Company's share options at June 30, 2018 and 2017 and the changes for the year ended on those dates is presented below:

	2018		2017	
	Options Outstanding	**Weighted Average Exercise Price**	Options Outstanding	Weighted Average Exercise Price
Opening balance	**177,000**	**$ 5.00**	5,000	$ 12.00
Forfeited or expired	**(1,500)**	**(5.00)**	(5,000)	(12.00)
Granted	**-**	**-**	177,000	5.00
Ending balance	**175,500**	**$ 5.00**	177,000	$ 5.00

The Company had the following share options outstanding and exercisable:

June 30, 2018

Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	Vesting Conditions	Weighted Average Remaining Life
90,000	90,000	$5.00	March 20, 2027	Vested immediately	8.73 years
85,500	85,500	$5.00	May 23, 2027	Vested immediately	8.90 years
175,500	**175,500**				**8.81 years**

June 30, 2017

Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	Vesting Conditions	Weighted Average Remaining Life
90,000	90,000	$5.00	March 20, 2027	Vested immediately	9.73 years
87,000	87,000	$5.00	May 23, 2027	Vested immediately	9.90 years
177,000	**177,000**				**9.81 years**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

Nil options were granted in 2018. During 2017, options to purchase 177,000 common non-voting shares were granted with a weighted average fair value of $1.48. The granted options vested immediately. The Company uses the Black-Scholes pricing model to estimate the fair value of stock options. The fair value of the stock options as estimated using the Black-Scholes pricing model also considers a discount factor due to the lack of liquidity of the stock options. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	2017
Risk-free interest rate	**1.57%**
Expected dividend yield	**0%**
Expected stock price volatility	**86%**
Expected life of warrants	**10 years**
Discount factor	**50%**

The weighted average contractual life remaining on the above options is 8.81 years (June 30, 2017 - 9.81 years). Total share-based compensation for the years ended June 30, 2018 was $Nil (2017 - $262,637).

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The related party transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not disclosed elsewhere in these consolidated financial statements are listed below.

a) Consulting fees of $27,938 (2017 - $4,000) were expensed for services provided by a company controlled by an officer.

b) Prepaid expenses include fees paid to directors of $4,200 (2017 - $Nil). Fees to directors of $8,200 (2017 - $11,600) were expensed during the year, and fees of $18,200 (2017 - $9,600) were paid to directors during the year. There were no fees payable outstanding as at June 30, 2018 (2017 - $5,800). During the year, there were no share based compensation expenses related to directors (2017 - $66,726).

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has identified its directors and senior officers as its key management personnel. The compensation costs awarded to key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by the transacting parties. Key management personnel also participate in the Company's share-based compensation plan (note 12).

Key management personnel compensation is comprised of:

		2018		2017
Salaries and benefits	**$**	**285,567**	$	285,215
Director fees		**8,200**		11,600
Share based compensation		**-**		242,676
	$	**293,767**	$	539,491

(Expressed in Canadian Dollars)

14. PERSONNEL EXPENSES

Personnel expenses are included in administration and research and development as follows:

		2018		2017
Salaries and benefits				
Administration	**$**	**179,100**	$	193,485
Research and development		**336,839**		352,646
Share based compensation		**-**		262,637
	$	**515,939**	$	808,768

15. INCOME TAXES

a) The reconciliation of income tax computed at statutory rates to income tax expense, using a 26.5% (2017 - 26%) statutory rate is:

		2018		2017
Income (loss) before income taxes	**$**	**(987,569)**	$	(1,279,980)
Statutory rate		**26.5%**		26%
Tax expense (recovery) at statutory income tax rates		**(261,706)**		(332,795)
Reconciliation of effective tax rate:				
Permanent differences and other		**(5,392)**		(73,691)
Change in statutory rate		**(286,274)**		-
Change in unrecognized temporary differences		**538,184**		253,346
True-up prior year		**15,187**		5,758
Income tax expense	**$**	**-**	$	-

b) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

		June 30, 2018		June 30, 2017
Non-capital losses	**$**	**12,648,686**	$	12,090,486
Property and equipment		**8,839,474**		8,759,126
SRED		**7,582,672**		7,276,708
Accrued liabilities and other		**14,174**		6,932
Share issuance costs		**396**		880
	$	**29,085,402**	$	28,134,131

Non-capital losses - At June 30, 2018, the Company has tax losses of approximately $12,648,686 (2017 - $12,090,486) available to offset future taxable income. These non-capital loss carryforwards begin to expire in 2026.

Scientific research and experimental development costs ("SRED") - As at June 30th, 2018, the Company has an accumulated unclaimed scientific research and experimental development expenditure pool balance of approximately $7,582,672 (2017 - $7,276,708) available to offset future taxable income, expiring indefinitely.

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

The application of non-capital losses and SRED against future taxable income is subject to final determination by the Canada Revenue Agency.

As at June 30th, 2018, the Company has investment tax credits of approximately $1,641,218 (2017 - $1,568,361). These ITCs, which begin to expire in 2023, are available to reduce future federal and provincial income taxes otherwise payable. The investment tax credits have not been recognized as it is not probable that future taxes payable will be available against which the Company can use the benefits therefrom.

16. GOVERNMENT ASSISTANCE

The Company receives government assistance under a number of government programs. Under these programs, the Company had signed contribution agreements with a maximum contribution of $48,275 and expiry dates ranging from November 30, 2017 to July 31, 2018. In the year ended June 30, 2018, the Company filed claims for $36,460 and $2,520 of these amounts is included in amounts receivable. During the year ended June 30, 2018, a grant with a remaining balance of $9,375 was cancelled and $12,280 was returned due to an overclaim.

17. COMMITMENTS

In the year ended June 30, 2013, the Company signed a lease for premises located in Burnaby, British Columbia. The lease was renewed for an additional four-year term in May 2017. The future minimum lease payments is as follows:

2019	83,531
2020	86,625
2021	86,625

The Company paid a security deposit of $7,312 which will be applied against the final month’s rent.

18. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements. The Company manages the components of shareholders’ equity and its liabilities including its bank operating loan and convertible loans as capital, and makes adjustments to these components in response to the Company’s business objectives and the economic climate. To maintain or adjust its capital structure, the Company may attempt to issue new common shares from treasury, issue debt instruments or borrow money.

The Company expects its current capital resources, together with the proceeds from planned additional equity fundraising, will be sufficient to carry out its operations through its next operating period. The Company does not anticipate the payment of dividends in the foreseeable future.

The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company’s approach to capital management during the year. These objectives and strategies are reviewed on a continuous basis.

19. SUBSEQUENT EVENT

Subsequent to June 30, 2018, the board of directors approved entering into $600,000 of convertible loans (“Loans”) to multiple lenders. None of the loan agreements have been executed yet but $300,000 of the funds have been received from an investor who is a director of the Company. The Loans are due for repayment in three years from the issuance dates and bear interest at 5% per annum, payable quarterly. The Loans are convertible, at the holders’ option, into 600,000 common voting shares of the Company. The Loans are secured by a general security agreement providing a second security interest in all of the Company’s assets.

TERRABIOGEN TECHNOLOGIES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2018

This discussion and analysis of financial position and results of operations is prepared as at October 12, 2018. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of TerraBioGen Technologies Inc. (the "Company") as at and for the year ended June 30, 2018 and related notes thereof which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures included therein and the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.terrabiogen.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital.

While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: inability or delays in achieving its technical development and commercialization milestones, environmental factors that could impact the Company's product field trial performance, delays in achieving regulatory approval of its products, inability or delays in securing the necessary funding to complete the development and commercialization of its products.

The Company disclaims any obligation or intention to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, unless required to do so by law.

Description of the Business

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company has developed microbial metabolite bioactive materials that improve plant health and yield, and impart biotics and abiotic stress tolerance in plants. The Company is in the process of commercializing this technology. In recent years, the company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials and commercialization.

The Company is committed to research and development to continue to improve the effectiveness of its technologies, the quality of its products, and the creation of new product lines. Through collaborations with some of the leading agricultural institutes in North America and funding from Canadian national and provincial government programs, TerraBioGen is developing and testing microbial derived bioactive materials that are responsible for the improved crop yields and increase stress tolerance in a wide range of plant varieties. Further, the Company is taking steps to secure intellectual property rights to these bioactive materials and to formulate them in order to fully commercialize their potential.

Overall Performance

The Company is a development company with minimal revenues to date from its activities.

Selected Annual Information

The following selected annual financial information is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS.

Year ended June 30	2018	2017	2016
Loss before other income (expense)	$ (989,042)	$ (1,277,914)	$ (1,124,263)
Net finance income (expense)	(3,287)	(3,525)	(2,257)
Gain on sale of assets	3,898	-	3,733
Other income	862	1,459	1,400
Net loss	(987,569)	(1,279,980)	(1,121,387)
Net loss per share (basic and diluted)	$ (0.42)	$ (0.63)	$ (0.60)
Total assets	$ 259,750	$ 433,707	$ 435,226
Long term liabilities	10,988	6,447	6,251

Quarterly Financial Results

	Year ended June 30, 2018				Year ended June 30, 2017			
	Apr-Jun/18 **Q4 2018**	Jan-Mar/18 **Q3 2018**	Oct-Dec/17 **Q2 2018**	Jul-Sep/17 **Q1 2018**	Apr-Jun/17 **Q4 2017**	Jan-Mar/17 **Q3 2017**	Oct-Dec/16 **Q2 2017**	Jul-Sep/16 **Q1 2017**
Loss before other income (expense)	$(306,021)	$(220,855)	$(259,583)	$(202,583)	$(538,700)	$(258,652)	$(282,194)	$(198,247)
Net finance expense	(1,907)	(401)	(407)	(572)	(718)	(838)	(787)	(1,303)
Gain/loss on sale of assets	-	3,898	-	-	-	-	-	-
Other income	-	-	-	862	1,459	-	-	-
Net Loss	(307,928)	(217,358)	(259,990)	(202,293)	(537,959)	(259,490)	(282,981)	(199,550)
Net Loss per share (basic and diluted)	$ (0.13)	$ (0.09)	$ (0.11)	$ (0.09)	$ (0.26)	$ (0.13)	$ (0.14)	$ (0.10)
	June 30/18	**Mar. 31/18**	**Dec. 31/17**	**Sept. 30/17**	**June 30/17**	**Mar. 31/17**	**Dec. 31/16**	**Sept. 30/16**
Total assets	$ 259,750	$ 229,786	$ 458,422	$ 546,975	$ 433,707	$ 358,131	$ 209,513	$ 237,509
Long term liabilities	10,988	15,135	13,383	15,887	6,447	6,407	6,368	6,329

Comparison of the year ended June 30, 2018 to the year ended June 30, 2017

During the year ended June 30, 2018, the Company recorded total expenses of $989,042, compared to $1,277,914 in the prior year, a decrease of $288,872. Administration costs decreased by $257,206, and research and development costs decreased by $31,666.

The decrease in the administration costs was primarily due to a reduction of $219,309 in stock based compensation expenses from prior year as no stock option was granted during the current year. The other large cost reduction was a reduction of $23,152 in depreciation as leasehold improvement were fully depreciated in the previous year. The decrease in research and development costs was largely due to a $25,020 decrease in the use of contractors and a $43,328 decrease in stock based compensation, partially offset by a $40,591 increase in other expenses as patent costs were written off, and a reduction of $47,245.in government assistance.

During the year ended June 30, 2018, the Company incurred interest expense of $3,511, earned interest income of $224, realized a gain of $3,898 on the sale of assets, and earned other income of $862, resulting in a net loss for the year of $987,569 or $0.42 per share. In the previous year, the Company incurred interest expense of $3,646, earned interest income of $121, and earned other income of $1,459, resulting in a net loss of $1,279,980 or $0.63 per share.

Comparison of the three months ended June 30, 2018 to the three months ended June 30, 2017

During the three months ended June 30, 2018, the Company recorded total expenses of $306,021, compared to $538,700 in the prior year, a decrease of $232,679. Administration costs decreased by $201,529 and research and development costs decreased by $31,150. The grant of stock options was the primary reason for the decreases as no stock options were granted in the current year.

During the three months ended June 30, 2018, the Company incurred interest expense of $2,000 and earned interest income of $3, resulting in a net loss for the three months of $307,928 or $0.13 per share. In the previous year, the Company received income of $1,459 primarily from government hiring incentives, incurred interest expense of $717 and earned interest income of $107, resulting in a net loss for the three months of $537,959 or $0.26 per share.

Breakdown of Expenses

		2018		2017
ADMINISTRATION:				
Wages and management fees	**$**	**207,038**	$	197,485
Depreciation		**2,183**		25,335
Accretion for provision for dismantling		**-**		196
Professional fees		**25,025**		36,379
Office expenses		**98,038**		113,083
Stock based compensation		**-**		219,309
Directors fees and expenses		**8,200**		11,707
Travel & entertainment		**12,986**		6,298
Regulatory fees		**10,759**		11,643
	$	**364,229**	$	621,435
RESEARCH AND DEVELOPMENT:				
Wages and benefits	**$**	**336,840**	$	352,646
Contractors		**12,528**		37,548
Growing trials		**44,450**		67,369
Stock based compensation		**-**		43,328
Rent and utilities		**120,493**		123,696
Depreciation		**34,709**		43,935
Other expenses		**99,973**		59,382
Government assistance		**(24,180)**		(71,425)
	$	**624,813**	$	656,479

Liquidity and Capital Resources

During the year ended June 30, 2018, the Company spent net $984,326 (2017 - $958,898) in cash on operating and investing activities, and realized $876,000 (2017 - $996,000) from financing activities, for a net cash outflow of $108,326 (2017 – ($37,102)), leaving a $105,631 (2017 - $213,957) net cash balance at June 30, 2018.

At June 30, 2018, the Company had total liabilities of $586,081, an increase of $237,612 from June 30, 2017, primarily due to convertible loans of $300,000 issued close to year end. The Company had a working capital deficit of $421,588 compared to a deficit of $71,660 at June 30, 2017, primarily as the most recent financing was through one year convertible loans; the convertible.loans bear interest at 5% per annum, payable quarterly, With 7 days advance notice the lenders may demand repayment of the Loans with any unpaid accrued interests prior to the maturity dates. The Loans are convertible, at the holders' option, into 300,000 common voting shares of the Company and 300,000 share purchase warrants exercisable at $1.50 per share over a term of 5 years. The Loans are secured by a general security agreement providing a second security interest in all of the Company's assets are secured by a second charge against all of the Company's assets.

In October 2018, the board of directors approved entering into additional convertible loans of $600,000 ("Loans") to multiple lenders. None of the loan agreements have been executed yet but $300,000 of the funds have been received from an investor who is a director of the Company. The Loans are due for repayment in three years from the issuance dates and bear interest at 5% per annum, payable quarterly. The Loans are convertible, at the holders' option, into 600,000 common voting shares of the Company. The Loans are secured by a general security agreement providing a second security interest in all of the Company's assets.

There are no committed capital expenditures required to meet the Company's planned research and development efforts. The Company signed a new 4 year lease on its premises in Burnaby in May 2017, expiring on May 31, 2021. Under the new lease, the lease rate changed from the prior rate of $13.00 per square foot to $13.50 per square foot in year one and two and $14.00 per square foot in year three and four. The landlord granted five months of free rent throughout the duration of the new lease. The remaining commitment for rent and operating costs is $256,781 for the remainder of the four year renewal term; the Company paid a security deposit of $7,312 which will be applied against the final month's rent.

The Company is dependent on cash from new debt or equity financing activities and a $100,000 operating loan at its bank in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing and any difficulty in raising new funds from these financing activities will have a significant impact on the Company's ability to continute its operation as a going cncern. The Company anticipates that it will be able to raise new financing to cover its operating needs through private placements.

Share Capital

As at October 11, 2018, the Company has 2,435,513 common shares issued and outstanding for a total of $40,955,371 in share capital. In October 2017, the Company closed a non-brokered private placement of 192,000 units at $3.00 per unit for gross proceeds of $576,000, of which a director invested $288,000. Each unit consists of one common share and one warrant exercisable at $5.00 per share expiring in five years. There are currently 882,125 warrants exercisable into common shares at a weighted average exercise price of $7.45 and 175,500 stock options exercisable into common shares at a weighted average exercise price of $5.00.

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Business Development

The Company's focus has been the development, formulation and launch of its first generation product, TerraBioGen LCFX and development of its next generation products. The Company has pre-marketed LCFX to select, influential Canadian commercial greenhouse vegetable growers. Based on the results of the pre-market trials, the Company has developed a novel infused vermiculite formulation that is designed to replace standard vermiculite typically used in greenhouse vegetable propagation. It is simple to apply and only requires one application. Trials with propagators have shown improved plant health and trials on cucumber production have shown yield increases delivering a multiple benefit over cost to the grower. Initial sales of this product have begun.

The Company continues to conduct extensive research on its next generation of microbial metabolite bioactive materials through strain development and characterization, process optimization and formulation. The Company has on-going collaborations with leading research institutions to complete this development.

Patents

As far as it is aware, the Company remains the only organization developing this type of plant biostimulant. Over the past several years, it has generated data related to performance on a variety of crops and data regarding the active ingredient's mode of action. With the completion of its production optimization anticipated in 2019, the Company will file a provisional patent with the US Patent and Trademark Office for its lead strain with claims covering production process and product formulation, mode of action, and product application and performance on a wide variety of crops.

Transactions with Related Parties

During the year ended June 30, 2018, the Company paid fees of $27,938 for accounting and financial services to a company controlled by an officer. Also, directors receive a fee of $200 for each meeting or committee meeting attended; directors' fees of $8,200 were expensed during the year ended June 30, 2018 and $18,200 of fees were paid to directors. There were $4,200 in fees prepaid to directors as at June 30, 2018. A director invested $288,000 to purchase 96,000 units of a non-brokered private placement and $150,000 in a one year convertible loan.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements and estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the periods ended. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgment

Information about critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to evaluation of the Company's ability to continue as a going concern. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the financial statement issuance date. The assessment of the Company's ability to execute its strategies and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

Assumptions and estimation uncertainty
Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 11 Convertible loans - Measurement of inception fair value of loans based on estimated market rate of interest for similar debt facility without equity conversion option.
- Note 12 Share capital - Measurements of fair value allocation between common share and share purchase warrant issued as a unit
- Note 15 Income taxes - recognition of deferred tax assets and determination of valuation allowance

Changes in Accounting Polices

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

IFRS 2 – Share-based payments

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of amendments and has determined that the amendments will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 9 - Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 *Financial Instruments* standard (“IFRS 9”). IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of IFRS 9 and has determined that IFRS 9 will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on July 1, 2018. The Company has evaluated the impact of IFRS 15 and has determined that IFRS 15 will not have a significant impact on the Company. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which supersedes IAS 17 – Leases. IFRS 16 establishes principals for the recognition, measurements presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operation lease distinctions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 – Revenue from Contracts with Customers. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements and does not intend to early adopt the standard.

IFRIC 23 - Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments ("IFRIC 23")*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount of expected value depending on whichever method better predicts the amount payable (recoverable).

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The Company is currently evaluating the impact of IFRIC 23 on its consolidated financial statements and does not intend to early adopt the standard.

<u>Financial Instruments</u>

The Company's financial instruments consist of cash, amounts receivable, accounts payables and accrued liabilities and convertible loans. The fair values of these financial instruments approximate carrying value because of their short-term nature. Cash and government grants receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and convertible loans are classified as other financial liabilities and are measured at amortized cost.

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

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk through the financial assets and liabilities denominated in currencies other than Canadian Dollars. Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar. At June 30, 2018 and June 30, 2017, a 10% strengthening (weakening) of the Canadian dollars against the United States dollars, with other variables held constant, would not result in a significant impact in the consolidated statements of loss and comprehensive loss. Management believes that the Company is not subject to significant foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk arising primarily from fluctuations in market interest rates on its cash and cash equivalents and on its credit facility (Note 10) which are at variable rates of interest. At June 30, 2018 and June 30, 2017, a 0.25% decline in interest rates, with all other variables held constant, would not result in a significant impact in the consolidated statements of loss and comprehensive loss. The Company's convertible loans are at fixed rates (Note 11); therefore, these are not exposed to the interest rate risk. Management believes that the Company is not subject to significant interest rate risk.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are subject to credit risk for a maximum of the amount shown on the consolidated statements of financial position. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Amounts receivable is comprised primarily of amounts due from the Government of Canada. Management believes that the Company is not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents to meet its liquidity requirements at any point in time. The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuances when required.

Reclassifications

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Additional Information

Additional information about TerraBioGen Technologies Inc. can be found on SEDAR at www.sedar.com or on the Company's website at www.TerraBioGen.com.