

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended September 30, 2019 and September 30, 2018

(expressed in Canadian Dollars)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Bee Vectoring Technologies International Inc.

### *Opinion*

We have audited the consolidated financial statements of Bee Vectoring Technologies International Inc., (the Group), which comprise the consolidated statements of financial position as at September 30, 2019 and September 30, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group for the year ended September 30, 2019 and September 30, 2018 are prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Entity incurred a net loss of \$2,897,825 during the year ended September 30, 2019 and, as of that date, the Entity's current liabilities exceeded its total assets by \$215,281. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Management is responsible for the other information. The other information comprises the management discussion and analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovic.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
January 24, 2020

**Bee Vectoring Technologies International Inc.**  
Consolidated Statements of Financial Position  
(expressed in Canadian Dollars)

|                                          | September 30,<br>2019 | September 30,<br>2018 |
|------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                            |                       |                       |
| <b>Current assets</b>                    |                       |                       |
| Cash                                     | \$ 312,864            | \$ 2,701,982          |
| Sales tax and other receivable           | 119,780               | 87,338                |
| Inventory (note 4)                       | 18,067                | -                     |
| Prepaid expense and deposits             | 69,238                | 51,250                |
|                                          | 519,949               | 2,840,570             |
| Intangible assets (note 6)               | 1,612,645             | 1,041,973             |
| Moulds and dies                          | -                     | 4,858                 |
| Property, plant and equipment (note 5)   | 202,643               | 265,224               |
|                                          | \$ 2,335,237          | \$ 4,152,625          |
| <b>LIABILITIES</b>                       |                       |                       |
| <b>Current liabilities</b>               |                       |                       |
| Accounts payable and accrued liabilities | \$ 685,230            | \$ 281,359            |
| Loan payable (note 8)                    | 50,000                | -                     |
|                                          | 735,230               | 281,359               |
| <b>Shareholders' equity (deficit)</b>    |                       |                       |
| Share capital (note 9)                   | 12,850,546            | 12,753,114            |
| Shares to be issued (note 19)            | 250,000               | -                     |
| Warrants (note 9, 10)                    | 980,756               | 1,382,817             |
| Contributed surplus (note 11)            | 2,730,277             | 1,986,353             |
| Accumulated other comprehensive income   | (4,057)               | 58,672                |
| Accumulated deficit                      | (15,207,515)          | (12,309,690)          |
|                                          | 1,600,007             | 3,871,266             |
|                                          | \$ 2,335,237          | \$ 4,152,625          |

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**

**COMMITMENTS (Note 17)**

**SUBSEQUENT EVENTS (Note 19)**

Approved by the Board of Directors

"Michael Collinson"

Director

"Jim Molyneux"

Director

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

**Bee Vectoring Technologies International Inc.**  
Consolidated Statements of Loss and Comprehensive Loss  
For the years ended September 30, 2019 and 2018  
(expressed in Canadian Dollars)

|                                                                                 | 2019           | 2018           |
|---------------------------------------------------------------------------------|----------------|----------------|
| <b>Sales (note 15)</b>                                                          | \$ 58,176      | \$ -           |
| <b>Cost of sales</b>                                                            | 44,865         | -              |
| <b>Gross profit</b>                                                             | 13,311         | -              |
| <b>Expenses</b>                                                                 |                |                |
| Office and general (note 16)                                                    | \$ 1,647,738   | \$ 1,697,196   |
| Investor and public relations                                                   | 175,650        | 292,432        |
| Sales, advertising and marketing                                                | 390,238        | 204,842        |
| Share based payments (note 11)                                                  | 355,499        | 374,052        |
| Trials, research and development                                                | 372,983        | 391,451        |
| <b>Loss before other items</b>                                                  | (2,928,797)    | (2,959,973)    |
| Gain (loss) on foreign exchange                                                 | 56,341         | (29,067)       |
| Loss on write-off of abandoned patents                                          | (32,164)       | (3,820)        |
| Interest and other income                                                       | 6,795          | -              |
| <b>Net loss</b>                                                                 | \$ (2,897,825) | \$ (2,992,860) |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> | 77,651,133     | 68,993,209     |
| <b>Basic and diluted loss per common share (note 12)</b>                        | \$ (0.04)      | \$ (0.04)      |

|                                                          | 2019           | 2018           |
|----------------------------------------------------------|----------------|----------------|
| <b>Net loss</b>                                          | \$ (2,897,825) | \$ (2,992,860) |
| <b>Other comprehensive income</b>                        |                |                |
| Items that may be subsequently reclassified to earnings: |                |                |
| Exchange differences on translating foreign operations   | (62,729)       | 28,801         |
| <b>Comprehensive loss</b>                                | \$ (2,960,554) | \$ (2,964,059) |

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

**Bee Vectoring Technologies International Inc.**

## Consolidated Statements of Cash Flows

For the years ended September 30, 2019 and 2018

(expressed in Canadian Dollars)

|                                                                              | 2019               | 2018                |
|------------------------------------------------------------------------------|--------------------|---------------------|
| <b>Cash used in operating activities</b>                                     |                    |                     |
| Net loss                                                                     | \$ (2,897,825)     | \$ (2,992,860)      |
| Items not affecting cash                                                     |                    |                     |
| Share based payments ( <i>note 11</i> )                                      | 355,499            | 374,052             |
| Shares issued for services ( <i>note 11</i> )                                | 83,796             | -                   |
| Loss on write-off of abandoned patents                                       | 32,164             | 3,820               |
| Unrealized foreign exchange differences on translation of foreign operations | (62,729)           | 29,067              |
| Depreciation and amortization                                                | 109,926            | 96,924              |
|                                                                              | (2,379,169)        | (2,488,997)         |
| <b>Net changes in non-cash working capital items</b>                         |                    |                     |
| Sales tax and other receivables                                              | (32,442)           | 29,422              |
| Prepaid expenses and deposits                                                | (17,988)           | 91,882              |
| Inventory                                                                    | (18,067)           | -                   |
| Accounts payable and accrued liabilities                                     | 403,871            | (17,642)            |
|                                                                              | (2,043,795)        | (2,385,335)         |
| <b>Cash used in investing activities</b>                                     |                    |                     |
| Additions to intangible assets                                               | (645,323)          | (294,100)           |
| Additions to property, plant and equipment                                   | -                  | (85,084)            |
|                                                                              | (645,323)          | (379,184)           |
| <b>Cash flow from financing activities</b>                                   |                    |                     |
| Proceeds from the issue of shares and units                                  | -                  | 4,700,000           |
| Unit subscription funds received in advance                                  | 250,000            | -                   |
| Proceeds from loans                                                          | 50,000             | -                   |
| Share issue costs                                                            | -                  | (132,186)           |
| Proceeds from exercise of options and warrants                               | -                  | 74,375              |
|                                                                              | 300,000            | 4,642,189           |
| <b>Increase (decrease) in cash</b>                                           | <b>(2,389,118)</b> | <b>1,877,670</b>    |
| <b>Cash, beginning of year</b>                                               | <b>2,701,982</b>   | <b>824,312</b>      |
| <b>Cash, end of year</b>                                                     | <b>\$ 312,864</b>  | <b>\$ 2,701,982</b> |

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

**Bee Vectoring Technologies International Inc.**

Statements of Changes in Shareholders' Equity

For the years ended September 30, 2019 and September 30, 2018

(expressed in Canadian Dollars)

|                                                                                | Share Capital     |                      | Shares to be<br>issued | Warrants            | Contributed<br>Surplus | Accumulated<br>other<br>Comprehensive<br>Income | Deficit                | Total               |
|--------------------------------------------------------------------------------|-------------------|----------------------|------------------------|---------------------|------------------------|-------------------------------------------------|------------------------|---------------------|
|                                                                                | Number of shares  | Amount               |                        |                     |                        |                                                 |                        |                     |
| Balance, October 1, 2017                                                       | 58,501,771        | \$ 9,090,738         | \$ -                   | \$ 690,241          | \$ 1,325,064           | \$ 29,871                                       | \$ (9,316,830)         | \$ 1,819,084        |
| Shares and units issued in connection with the private placement               | 18,800,000        | 4,700,000            | -                      | -                   | -                      | -                                               | -                      | 4,700,000           |
| Share issue costs related to the private placement - cash                      | -                 | (117,873)            | -                      | (14,313)            | -                      | -                                               | -                      | (132,186)           |
| Fair value of warrants issued in connection with the private placement         | -                 | (1,026,038)          | -                      | 1,026,038           | -                      | -                                               | -                      | -                   |
| Fair value of finders warrants issued in connection with the private placement | -                 | (25,613)             | -                      | 25,613              | -                      | -                                               | -                      | -                   |
| Share based compensation                                                       | -                 | -                    | -                      | -                   | 374,052                | -                                               | -                      | 374,052             |
| Shares issued on exercise of options                                           | 297,500           | 131,900              | -                      | -                   | (57,525)               | -                                               | -                      | 74,375              |
| Expired warrants                                                               | -                 | -                    | -                      | (344,762)           | 344,762                | -                                               | -                      | -                   |
| Net loss and comprehensive loss                                                | -                 | -                    | -                      | -                   | -                      | 28,801                                          | (2,992,860)            | (2,964,059)         |
| <b>Balance, September 30, 2018</b>                                             | <b>77,599,271</b> | <b>\$ 12,753,114</b> | <b>\$ -</b>            | <b>\$ 1,382,817</b> | <b>\$ 1,986,353</b>    | <b>\$ 58,672</b>                                | <b>\$ (12,309,690)</b> | <b>\$ 3,871,266</b> |
| Balance, October 1, 2018                                                       | 77,599,271        | \$ 12,753,114        | \$ -                   | \$ 1,382,817        | \$ 1,986,353           | \$ 58,672                                       | \$ (12,309,690)        | \$ 3,871,266        |
| Share based compensation (note 11)                                             | -                 | -                    | -                      | -                   | 304,604                | -                                               | -                      | 304,604             |
| Subscription funds received in advance                                         | -                 | -                    | 250,000                | -                   | -                      | -                                               | -                      | 250,000             |
| Shares issued on vesting of RSUs (note 11)                                     | 728,058           | 134,691              | -                      | -                   | -                      | -                                               | -                      | 134,691             |
| Extension of warrants                                                          | -                 | (37,259)             | -                      | 37,259              | -                      | -                                               | -                      | -                   |
| Expired warrants                                                               | -                 | -                    | -                      | (439,320)           | 439,320                | -                                               | -                      | -                   |
| Net loss and comprehensive loss                                                | -                 | -                    | -                      | -                   | -                      | (62,729)                                        | (2,897,825)            | (2,960,554)         |
| <b>Balance, September 30, 2019</b>                                             | <b>78,327,329</b> | <b>\$ 12,850,546</b> | <b>\$ 250,000</b>      | <b>\$ 980,756</b>   | <b>\$ 2,730,277</b>    | <b>\$ (4,057)</b>                               | <b>\$ (15,207,515)</b> | <b>\$ 1,600,007</b> |

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



# **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

## **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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### **1. Nature of operations and going concern**

Bee Vectoring Technologies International Inc. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada on May 20, 2011. The Company is focused on the control of pests and enhancement of crops and ornamentals through the use of biological controls in a variety of application processes.

The Company commenced trading on the TSX Venture Exchange under the symbol BEE on July 7, 2015. The address of the Company’s registered office is 4160 Sladeview Cres. #7, Mississauga, Ontario.

These consolidated financial statements were approved for issuance by the Board of Directors on January 24, 2020.

#### *Going concern assumption*

These consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company’s ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. On August 28, 2019 the Company received approval from the Environmental Protection Agency to sell its BioControl in the United States. To date the Company has not yet obtained regulatory approval to sell its BioControl from other regulatory bodies outside the US, and has not generated material revenue from operations. During the year ended September 30, 2019, the Company incurred a net loss of \$2,897,825 (2018 – \$2,992,860), and as of that date, the Company’s deficit was \$15,207,515 (September 30, 2018 – \$12,309,690). At September 30, 2019, the Company has current assets of \$519,949 (September 30, 2018 - \$2,840,570) and current liabilities of \$735,230 (September 30, 2018 – \$281,359) resulting in working capital (deficiency) of \$(215,281) (September 30, 2018 – \$2,559,211).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern in the foreseeable future. The consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company’s assets and liabilities at liquidation values could be material to these consolidated financial statements.

### **2. Basis of presentation**

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

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

#### **b) Basis of measurement**

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

#### **c) Significant accounting estimates and judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain.

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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## **2. Basis of presentation (continued)**

### **c) Significant accounting estimates and judgments (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### **Estimates**

##### *Intangible assets valuation for impairment purposes*

The Company assesses impairment by comparing the recoverable amount of an intangible asset with its carrying value. The recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of the recoverable amount involves management estimates. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods.

##### *Useful life of property, plant and equipment*

Significant estimates are made as to the useful lives of property, plant and equipment.

##### *Useful life of intangible assets*

Significant estimates are made as to the useful lives of the capitalization of patents, regulatory and development costs.

##### *Valuation of share-based payments*

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options and of common share purchase warrants issued. The model requires the input of subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

#### **Judgments**

##### *Capitalization of development costs*

Initial capitalization of development costs is based on management's judgment that technological and economic feasibility is confirmed, usually when the product development project has reached a defined milestone according to an established project management model.

##### *Capitalization of regulatory costs*

Initial capitalization of regulatory costs is based on management's judgment that future economic benefits attributable to the Companies assets will flow to the Company.

##### *Functional currency*

In concluding on the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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## **2. Basis of presentation (continued)**

### *Going concern*

The company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the company could continue as a going concern.

### *d) Basis of consolidation*

These consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries Bee Vectoring Technology Inc. (Canadian), and Bee Vectoring Technology USA Corp (United States) ("BVT USA").

The functional currency of the Company is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of BVT USA is the United States dollar.

All intercompany transactions and balances have been eliminated in preparing the consolidated financial statements.

## **3. Significant accounting policies**

### *Intangible Assets*

The Company has intangible assets consisting of legal costs related to the application of patents, costs associated with Regulatory (including EPA) applications and costs of developing the Company's technology. Intangible assets acquired separately are measured on initial recognition at cost, when they have the following attributes: are identifiable, controlled by the Company, and from which future benefits are expected. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there are indications that the intangible asset may be impaired. Intangible assets which are not yet available for use are tested annually for impairment regardless of whether impairment indicators exist. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life (based on expiry of patents) or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in the statement of comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date the patent is granted and is available for use. Amortization of regulatory costs are amortized once approvals are received, and are amortized over their estimated useful life, being the term of the approval.

### *Property, Plant and Equipment*

Equipment and furniture are recorded initially at cost and subsequently at cost less accumulated amortization and accumulated impairment losses (if any). Amortization is provided over an asset's expected useful life using the following methods and annual rates:

|                        |          |                                  |
|------------------------|----------|----------------------------------|
| Equipment              | 20 years | straight line                    |
| Computer               | 3 years  | straight line                    |
| Office furniture       | 20 %     | declining balance                |
| Site equipment         | 20 %     | declining balance                |
| Telephone equipment    | 20 %     | declining balance                |
| Leasehold improvements |          | straight-line over life of lease |

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### **3. Significant accounting policies (continued)**

Residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively (if needed).

##### *Income Taxes*

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

##### *Share Capital*

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. For unit offerings, the Company has adopted the relative fair value method with respect to the measurement of shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair values of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from warrants to share capital. If the warrants expire unexercised, the applicable amount is transferred to contributed surplus. The fair value adjustment resulting from a modification to the terms of a warrant is recognized in share capital.

##### *Financial Instruments*

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended September 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

Accounting policy under IFRS 9 applicable from October 1, 2018

##### *Financial assets*

###### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### **3. Significant accounting policies (continued)**

##### **Subsequent measurement – Financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of income. The Company does not measure any financial assets at FVPL.

##### **Subsequent measurement – Financial assets at amortized cost**

Financial assets are measured at amortized cost if both the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

##### **Subsequent measurement – Financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income when the right to receive payments is established.

##### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

##### **Impairment of financial assets**

The Company's only financial assets subject to impairment are other amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

##### **Financial liabilities**

###### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of debt, net of directly attributable transaction costs.

###### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

## BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

### Notes to Consolidated Financial Statements

For the years ended September 30, 2019 and September 30, 2018  
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### 3. Significant accounting policies (continued)

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

There was no material impact on the adoption of IFRS 9 in the Company's financial statements.

| <b>Financial assets:</b>                 | <b>Classification IAS 39</b> | <b>Classification IFRS 9</b> |
|------------------------------------------|------------------------------|------------------------------|
| Cash                                     | FVPL                         | FVTPL                        |
| Accounts receivable                      | Loans and receivables        | Amortized cost               |
| <b>Financial liabilities:</b>            | <b>Classification IAS 39</b> | <b>Classification IFRS 9</b> |
| Accounts payable and accrued liabilities | Other financial liabilities  | Amortized cost               |
| Loans payable                            | Other financial liabilities  | Amortized cost               |

#### Impairment of non-financial assets

Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment. Other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (the Company's technology, inoculum dispensing system) to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in profit or loss for the period, although such reversals are not applicable to goodwill.

#### Share based payment transactions

The Company has a stock option plan and a restricted share unit plan which are discussed in note 11. Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity cannot be specifically measured, the equity instruments are measured at fair value of the equity instrument. The fair value of the equity instruments is recognized together with a corresponding increase in equity over the period that services are provided or goods are received.

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### **3. Significant accounting policies (continued)**

The Company determines the fair value of restricted stock units issued with market-based performance conditions by using the market price of the Company's stock at the date of grant adjusted downward for the probability of units not vesting; the Company multiplies this by the number of restricted stock units granted. The Company then recognizes the associated stock-based compensation with an increase in share capital over the vesting period related to the market-based performance condition. Upon vesting, the Company will reconcile the share-based compensation and share capital to account for the number of units that ultimately vested.

The Company determines the fair value of restricted stock units issued with non-market based performance conditions by using the market price of the Company's stock at the date of grant; the Company multiplies this by the number of restricted stock units it expects to ultimately vest. The Company then recognizes the associated stock-based compensation with an increase in share capital over the estimated vesting period related to the non-market based performance condition. Upon vesting, the Company will reconcile the share-based compensation and share capital to account for the number of units that ultimately vested.

#### *Foreign operations and currency translation*

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The accounts of the Company are presented in Canadian dollars. The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income and in accumulated other comprehensive income in shareholders' equity.

#### *Loss per share*

The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares.

Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options, warrants and vesting of restricted share units, if dilutive. As the potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

#### *Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, 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, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2019 and September 30, 2018.

#### *Leases*

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

## BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

### Notes to Consolidated Financial Statements

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### 3. Significant accounting policies (continued)

- Finance lease - Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- Operational lease - Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized in the income statement on a straight-line basis over the period of the lease.

#### *Revenue recognition*

The Company has adopted IFRS 15 (Revenue from Contracts with Customers) from October 1, 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. It establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring good or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Revenue is recognized at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

Rendering of services - Revenue from a contract to provide services is recognized over time as the services are rendered based on a per acre basis. This revenue is generated (and performance obligation met) by providing a service to growers (installing and maintaining the Company's inoculum dispenser system) over the growers farming season. BVT's patented and patent pending technology uses bumblebees and honey bees as a system to deliver naturally-occurring beneficial fungus and other beneficial microbes to flowering plants. The Company has developed an inoculum dispenser system that is incorporated into the lid of the commercial bumble bee hive ("Hives"). In the dispenser is a removable tray that contains, in powder form, the inoculant fungi and a mixture of products that allows the bees to effectively pick up the product on their way out of the hive, get attached to the bee's legs and bodies as they walk through the tray on their way out of the hive. This offers an organic means to control diseases and pests and provide plant enhancing properties while requiring zero water for delivery.



## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### **3. Significant accounting policies (continued)**

Sale of goods - Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery (ie performance obligation is met upon the shipment of the Hives).

The Company recognizes revenue based on the following criteria: when a contract exists with a customer, the contract identifies the performance obligation, performance obligation has been met, the transaction price is determinable and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

##### *Cash-generating unit*

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. Impairment of CGUs is performed at the CGU level. The recoverable amount of each CGU is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. CGUs shall be identified consistently from period to period for the same asset or types of asset, unless a change is justified. Management evaluates and identifies CGUs at each financial statement date. Management has identified there to be one CGU, being the Company's technology, inoculum dispensing system.

##### *Inventory*

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method using the standard costing method which is updated regularly to reflect current conditions and approximate cost. The cost of finished goods inventory comprises raw materials, direct labour, other direct costs and related production overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory is reviewed monthly to determine if the carrying value exceeds net realizable value. If so, impairment is recognized. The impairment may be reversed if the circumstances which caused it no longer exist.

##### **Accounting Standards Issued But Not Yet Applied**

The Company has reviewed changes to accounting standards that become effective in future periods. Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below:

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors will continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17, Leases.

Management is currently executing its implementation plan and has completed the initial scoping phase to identify material lease contracts. However, the analysis of such contracts to quantify the transitional impact is still in progress. The most significant impact of IFRS 16 will be our initial recognition of the present value of unavoidable future lease payments as right-of-use assets under property and equipment and the concurrent recognition of a lease liability on the consolidated statement of financial position. The majority of our property leases, which are currently treated as operating leases, are expected to be impacted by the new standard which will result in lower rent expense, higher depreciation expense and higher finance costs related to accretion and interest expense of the lease liability. IFRS 16 will also impact the presentation of the consolidated statement of cash flows by decreasing operating cash flows and increasing financing cash flows.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

**3. Significant accounting policies (continued)**

The standard will be effective for the Company for the fiscal year commencing October 1, 2019. For leases where the Company is the lessee, it has the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Company will be adopting the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening deficit (i.e. the difference between the right-of-use asset and the lease liability) as at October 1, 2019 and no restatement of the comparative period. Under the modified retrospective approach, the Company will measure all right-of-use assets retrospectively as if the standard had been applied since the lease commencement dates.

Consistent with the guidance, the Company will not apply this standard to short-term leases and leases for which the underlying asset is of low value.

**4. Inventory**

|               | 2019      | 2018 |
|---------------|-----------|------|
| Raw materials | \$ 18,067 | \$ - |
| Total         | \$ 18,067 | \$ - |

During the year ended September 30, 2019, \$44,865 (2018 - \$nil (as there were no sales in 2018)) of inventory was recognized as cost of sales. There were no inventory write downs in 2019 and 2018. No inventory was pledged as collateral.

**5. Property, plant and equipment**

|                                 | Equipment | Computer  | Office furniture | Site equipment | Leasehold improvements | Telephone Equipment | Total      |
|---------------------------------|-----------|-----------|------------------|----------------|------------------------|---------------------|------------|
| <b>Cost</b>                     |           |           |                  |                |                        |                     |            |
| As at September 30, 2017        | \$ 6,299  | \$ 4,674  | \$ 12,467        | \$ 343,260     | \$ 38,617              | \$ 16,280           | \$ 421,597 |
| Additions                       | -         | 10,812    | -                | 65,637         | -                      | 8,651               | 85,100     |
| As at September 30, 2018        | 6,299     | 15,486    | 12,467           | 408,897        | 38,617                 | 24,931              | 506,697    |
| Additions                       | -         | -         | -                | -              | -                      | -                   | -          |
| As at September 30, 2019        | \$ 6,299  | \$ 15,486 | \$ 12,467        | \$ 408,897     | \$ 38,617              | \$ 24,931           | \$ 506,697 |
| <b>Accumulated depreciation</b> |           |           |                  |                |                        |                     |            |
| As at September 30, 2017        | \$ 1,510  | \$ 3,464  | \$ 4,484         | \$ 134,566     | \$ 26,080              | \$ 7,597            | \$ 177,701 |
| Additions                       | 315       | 3,000     | 1,597            | 48,319         | 7,723                  | 2,818               | 63,772     |
| As at September 30, 2018        | 1,825     | 6,464     | 6,081            | 182,885        | 33,803                 | 10,415              | 241,473    |
| Additions                       | 314       | 5,162     | 1,277            | 45,202         | 7,723                  | 2,903               | 62,581     |
| As at September 30, 2019        | \$ 2,139  | \$ 11,626 | \$ 7,358         | \$ 228,087     | \$ 41,526              | \$ 13,318           | \$ 304,054 |
| <b>Net book value</b>           |           |           |                  |                |                        |                     |            |
| As at September 30, 2018        | \$ 4,474  | \$ 9,022  | \$ 6,386         | \$ 226,012     | \$ 4,814               | \$ 14,516           | \$ 265,224 |
| As at September 30, 2019        | \$ 4,160  | \$ 3,860  | \$ 5,109         | \$ 180,810     | \$ -                   | \$ 11,613           | \$ 202,643 |

# BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

## Notes to Consolidated Financial Statements

For the years ended September 30, 2019 and September 30, 2018  
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### 6. Intangible assets

Intangible assets consist of legal fees incurred towards the registration of various patents, regulatory and development costs as follows: (amortization commences once the asset is available for use)

|                                 | Available-for-use |            |             | Work-in-process |                 |             | Total       |
|---------------------------------|-------------------|------------|-------------|-----------------|-----------------|-------------|-------------|
|                                 | Patents           | Regulatory | Development | Patents         | Regulatory cost | Development |             |
| <b>Cost</b>                     |                   |            |             |                 |                 |             |             |
| As at September 31, 2017        | \$222,733         | \$ -       | \$ -        | \$556,523       | \$ -            | \$ -        | \$ 779,256  |
| Additions                       | 59,694            | -          | -           | 110,353         | 114,851         | 9,202       | 294,100     |
| Write-off of abandoned patents  | -                 | -          | -           | (3,820)         | -               | -           | (3,820)     |
| As at September 31, 2018        | 282,427           | -          | -           | 663,056         | 114,851         | 9,202       | 1,069,536   |
| Additions                       | 146,635           | 233,719    | 134,573     | 109,303         | 21,094          | -           | 645,324     |
| Re-class to available for use   | 97,336            | 114,851    | 9,202       | (97,336)        | (114,851)       | (9,202)     | -           |
| Write-off of abandoned patents  | -                 | -          | -           | (32,164)        | -               | -           | (32,164)    |
| As at September 31, 2019        | \$526,398         | \$ 348,570 | \$ 143,775  | \$642,859       | \$ 21,094       | \$ -        | \$1,682,696 |
| <b>Accumulated amortization</b> |                   |            |             |                 |                 |             |             |
| As at September 31, 2017        | \$ 10,655         | \$ -       | \$ -        | \$ -            | \$ -            | \$ -        | \$ 10,655   |
| Additions                       | 16,908            | -          | -           | -               | -               | -           | 16,908      |
| As at September 31, 2018        | 27,563            | -          | -           | -               | -               | -           | 27,563      |
| Additions                       | 33,846            | 1,452      | 7,190       | -               | -               | -           | 42,488      |
| As at September 31, 2019        | \$ 61,409         | \$ 1,452   | \$ 7,190    | \$ -            | \$ -            | \$ -        | \$ 70,051   |
| <b>Net book value</b>           |                   |            |             |                 |                 |             |             |
| As at September 31, 2018        | \$254,864         | \$ -       | \$ -        | \$663,056       | \$ 114,851      | \$ 9,202    | \$1,041,973 |
| As at September 31, 2019        | \$464,989         | \$ 347,118 | \$ 136,585  | \$642,859       | \$ 21,094       | \$ -        | \$1,612,645 |

### 7. Related party balances and transactions

Key management includes members of the board, the Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the years ended September 30, 2019 and September 30, 2018:

|                                                             | 2019              | 2018              |
|-------------------------------------------------------------|-------------------|-------------------|
| CEO fees (i)                                                | \$ 371,197        | \$ 352,990        |
| CFO fees (ii)                                               | 30,000            | 30,000            |
| Consulting fees charged by a Chelsian Sales & Service (iii) | 60,000            | 56,000            |
| Consulting fees charged Flueckiger Consulting (iv)          | 93,595            | 97,068            |
| Share based payments (vii)                                  | 207,505           | 291,880           |
|                                                             | <b>\$ 762,297</b> | <b>\$ 827,938</b> |

- (i) Salary and/or consulting fees paid to the CEO for services rendered.
- (ii) Consulting fees charged by CFO Advantage Inc, a corporation owned by the CFO of the Company, for services of the Chief Financial Officer. As at September 30, 2019 \$8,475 (2018 –\$nil) was owed to CFO Advantage Inc.
- (iii) Consulting fees charged by Chelsian Sales & Service Inc, a corporation owned by a director, for assisting with day-to-day operations. As at September 30, 2019 \$12,600 (2018 –\$nil) was owed to Chelsian Sales and Service Inc.
- (iv) Consulting fees charged by Flueckiger Consulting, a corporation owned by a director of the Company, for reviewing product development and marketing plans, reviewing data from trials, and other services as required. As at September 30, 2019 \$32,517 (2018 - \$6,826) was owed to Flueckiger consulting.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

**7. Related party balances and transactions (continued)**

- (v) \$18,000 (2018 - \$18,000) was charged by a relative of a director of the Company for marketing services.
- (vi) The Company employs a relative of a director of the Company as project manager. During the year ended September 30, 2019, the employee earned a salary and benefits of \$94,000 (2018 - \$82,200).
- (vii) For options and RSU's issued to related parties, please see Note 11.

**8. Loan payable**

On August 28, 2019, the Company entered into a loan agreement for gross proceeds of \$50,000 (2018 - \$nil) of which \$50,000 has been drawn at September 30, 2019. The loan is unsecured, bears interest at 12.5% per annum and becomes due 90 days from the date of issuance. There are no specified covenants on this loan. Total interest expense accrued on the loan during 2019 was \$512 (2018 - \$nil) which has been included in accounts payable and accrued liabilities.

**9. Share capital**

Authorized - Unlimited number of common shares without par value  
Issued and outstanding

|                                                                                         | Share capital     | Value               |
|-----------------------------------------------------------------------------------------|-------------------|---------------------|
| <b>Common shares</b>                                                                    |                   |                     |
| Balance September 30, 2017                                                              | 58,501,771        | \$9,090,738         |
| Shares issued in connection with the private placement (i)(ii)(iii)                     | 18,800,000        | 4,700,000           |
| Fair value of warrants issued in connection of the private placement (i)(ii)(iii)       | -                 | (1,026,038)         |
| Share issued costs related to the private placement – cash (i)(ii)                      | -                 | (117,873)           |
| Fair value of finder's warrants issued in connection with the private placement (i)(ii) | -                 | (25,613)            |
| Common shares issued on the exercise of options (iv)                                    | 297,500           | 131,900             |
| <b>Balance September 30, 2018</b>                                                       | <b>77,599,271</b> | <b>\$12,753,114</b> |
| Shares issued on vesting of RSU's (note 11)                                             | 728,058           | 134,691             |
| Extension of warrants                                                                   | -                 | (37,259)            |
| <b>Balance September 30, 2019</b>                                                       | <b>78,327,329</b> | <b>\$12,850,546</b> |

- (i) On February 16, 2018, the Company closed a non-brokered private placement of 6,300,000 Units ("Units") of the Company at a price of \$0.25 per Unit for gross proceeds of \$1,575,000, of which \$1,404,458 was allocated to share capital and \$170,541 was allocated to warrants using the relative fair value.

Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share at a price of C\$0.30 per common share until February 16, 2019. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 1 years; Volatility – 66%; Interest rate – 1.78%.

The Company paid commissions to finders under the private placement consisting of cash fees of \$132,187 and the issue of 422,400 finder's warrants. Each finder's warrant entitles the holder to purchase one share of the Company at a price of \$0.30 per share until February 16, 2019. The finder's warrants were valued at \$29,990 using the Black-Scholes option pricing model using the following assumptions: Term – 1 years; Volatility – 66%; Interest rate – 1.78%.

- (ii) On March 28, 2018, the Company closed a non-brokered private placement of 12,000,000 Units ("Units") of the Company at a price of \$0.25 per Unit for gross proceeds of \$3,000,000, of which \$2,179,177 was allocated to share capital and \$820,823 was allocated to warrants using the relative fair value.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
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**9. Share capital (continued)**

Each Unit consists of one common share and one whole common share purchase warrant. Each whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share at a price of C\$0.35 per common share until March 28, 2020. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 76%; Interest rate – 1.80%.

No finders fees were payable on this private placement.

- (iii) On May 2, 2018, the Company closed a non-brokered private placement of 500,000 Units ("Units") of the Company at a price of \$0.25 per Unit for gross proceeds of \$125,000, of which \$90,326 was allocated to share capital and \$34,674 was allocated to warrants using the relative fair value.

Each Unit consists of one common share and one whole one common share purchase warrant. Each whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share at a price of C\$0.35 per common share until May 2, 2020. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 76%; Interest rate – 1.94%.

No finder's fees were payable on this private placement.

- (iv) No options were exercised during the year ended September 30, 2019. The following summarizes the options exercised during the year ended September 30, 2018:

| Date       | Price  | Fair value on<br>date of exercise<br>of common<br>shares | Shares issued | Cash proceeds | Fair value |
|------------|--------|----------------------------------------------------------|---------------|---------------|------------|
| 10/31/2017 | \$0.25 | \$0.31                                                   | 100,000       | \$ 25,000     | \$ 19,336  |
| 11/07/2017 | \$0.25 | \$0.28                                                   | 150,000       | 37,500        | 29,004     |
| 11/24/2017 | \$0.25 | \$0.28                                                   | 47,500        | 11,875        | 9,185      |
|            |        |                                                          | 297,500       | \$ 74,375     | \$ 57,525  |

**10. Warrants**

The warrants issued and outstanding as at September 30, 2019 are as follows:

|                             | Number of warrants | Weighted average |
|-----------------------------|--------------------|------------------|
| Balance, September 30, 2017 | 7,274,220          | \$ 0.46          |
| Warrants granted            | 16,072,400         | \$ 0.34          |
| Warrants expired            | (2,127,000)        | \$ 0.65          |
| Balance, September 30, 2018 | 21,219,620         | \$ 0.35          |
| Warrants expired            | (6,758,620)        | \$ 0.35          |
| Balance, September 30, 2019 | 14,461,000         | \$ 0.35          |

All warrants issued during the year ended September 30, 2018 vested on the grant date. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

**10. Warrants (continued)**

At September 30, 2019, the following warrants were outstanding:

| Strike price | Number     | Weighted average remaining contractual life (in years) | Expiry date |
|--------------|------------|--------------------------------------------------------|-------------|
| \$ 0.35      | 1,961,000  | 0.97                                                   | 9/19/2020   |
| \$ 0.35      | 12,000,000 | 0.49                                                   | 3/28/2020   |
| \$ 0.35      | 500,000    | 0.59                                                   | 5/2/2020    |
|              | 14,461,000 | 0.56                                                   |             |

On August 8, 2019, the Company extended the term of 1,961,000 common share purchase warrants set to expire on September 19, 2019 (the "Warrants") to September 19, 2020. The Warrants were originally issued pursuant to a private placement of units completed by the Company on September 19, 2017. The exercise price of the Warrants remained the same at \$0.35. This modification resulted in a fair value adjustment of \$37,259 valued using the Black-Scholes option pricing model using the following assumptions: Term – 1 years; Volatility – 83%; Interest rate – 1.42%. The incremental value is the difference between the fair value of the share purchase warrants using the modified and the original terms. Since this has occurred after the vesting date, the incremental fair value is recognized immediately.

**11. Stock options and restricted share units**

On March 22, 2019 the Board of Directors has approved a restricted share unit plan (the "RSU Plan") and a 20% fixed stock option plan (the "Option Plan") to grant restricted share units ("RSU's") and incentive stock options ("Options") to directors, officers, key employees and consultants of the Company. Pursuant to the RSU Plan and the Option Plan, the Company may reserve up to an aggregate of 15,519,854 common shares pursuant to awards granted under the plans. The plans were approved by the shareholders on May 10, 2019. Previously, the Company had a rolling stock option plan in 2011, which authorized the Board of Directors to grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company.

**Options**

Below is a summary of transactions for the years ended September 30, 2019 and 2018:

| Transaction                 | Date       | # Options |
|-----------------------------|------------|-----------|
| Balance September 30, 2017  |            | 4,529,100 |
| Granted (i)                 | 03/01/2018 | 365,000   |
| Granted (ii)                | 03/28/2018 | 600,000   |
| Granted (iii)               | 04/25/2018 | 200,000   |
| Granted (iv)                | 06/01/2018 | 100,000   |
| Expired                     |            | (440,000) |
| Exercised                   |            | (297,500) |
| Balance September 30, 2018  |            | 5,056,600 |
| Granted (v)                 | 02/07/2019 | 25,000    |
| Granted (vi)                | 03/22/2019 | 1,828,418 |
| Granted (vii)               | 09/16/2019 | 50,000    |
| Balance, September 30, 2019 |            | 6,960,018 |

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
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**11. Stock options and restricted share units (continued)**

As at September 30, 2019 the Company had the following stock options outstanding:

| <b>Date Issued</b> | <b># Options</b> | <b># Exercisable</b> | <b>Value</b> | <b>Exercise Price</b> | <b>Expiry date</b> |
|--------------------|------------------|----------------------|--------------|-----------------------|--------------------|
| 6/30/2015          | 50,000           | 50,000               | \$ 6,534     | \$ 0.25               | 6/30/2020          |
| 7/6/2015           | 1,580,000        | 1,580,000            | \$ 300,200   | \$ 0.25               | 7/6/2020           |
| 8/8/2015           | 1,600            | 1,600                | \$ 371       | \$ 0.30               | 8/8/2020           |
| 9/07/2015          | 100,000          | 100,000              | \$ 24,862    | \$ 0.31               | 9/07/2020          |
| 11/16/2015         | 275,000          | 275,000              | \$ 91,575    | \$ 0.43               | 11/16/2020         |
| 6/23/2016          | 225,000          | 225,000              | \$ 115,050   | \$ 0.50               | 6/23/2021          |
| 8/30/2016          | 1,000,000        | 749,992              | \$ 310,000   | \$ 0.32               | 8/30/2026          |
| 10/21/2016         | 100,000          | 100,000              | \$ 23,400    | \$ 0.32               | 10/21/2021         |
| 12/5/2016          | 100,000          | 100,000              | \$ 16,500    | \$ 0.24               | 12/5/2021          |
| 4/21/2017          | 360,000          | 360,000              | \$ 76,680    | \$ 0.25               | 4/21/2022          |
| 3/1/2018           | 365,000          | 365,000              | \$ 77,015    | \$ 0.25               | 3/1/2023           |
| 3/28/2018          | 600,000          | 600,000              | \$ 149,400   | \$ 0.25               | 3/28/2023          |
| 4/25/2018          | 200,000          | 200,000              | \$ 52,600    | \$ 0.25               | 4/25/2023          |
| 6/1/2018           | 100,000          | 100,000              | \$ 16,500    | \$ 0.28               | 6/1/2021           |
| 02/27/2019         | 25,000           | 12,500               | \$ 3,125     | \$ 0.16               | 02/07/2024         |
| 03/22/2019         | 1,828,418        | 1,828,418            | \$ 259,635   | \$ 0.195              | 03/22/2024         |
| 09/16/2019         | 50,000           | 25,000               | \$ 9,800     | \$ 0.24               | 09/16/2024         |
|                    | <b>6,960,018</b> | <b>6,672,510</b>     |              |                       |                    |

The weighted average expiry date of the options is 3.33 years. The weighted average exercise price of the options is \$0.27.

- (i) On March 1, 2018, the Company issued 365,000 options to consultants of the Company. 75,000 of these options were issued to a related party. These options were valued at \$77,015 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 116.06%; Interest rate – 1.99%; Dividend yield – nil; Forfeiture rate – nil, stock price – \$0.26.
- (ii) On March 28, 2018, the Company issued 600,000 options to directors of the Company. These options were valued at \$149,400 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 115.34%; Interest rate – 2.00%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.30.
- (iii) On April 25, 2018, the Company issued 200,000 options to a director of the Company. These options were valued at \$52,600 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 115.31%; Interest rate – 2.18%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.32.
- (iv) On June 1, 2018, the Company issued 100,000 options to a consultant of the Company. These options were valued at \$16,500 using the Black-Scholes option pricing model using the following assumptions: Expected life – 3 years; Volatility – 104.05%; Interest rate – 2.00%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.28.
- (v) On February 7, 2019, the Company issued 25,000 options to an employee of the Company. These options were valued at \$3,125 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107.84%; Interest rate – 1.78%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.16. Volatility was based on the historical volatility of BVT and other comparable listed companies. 50% of the options vested on August 7, 2019, and the remaining 50% to vest on February 7, 2020.

## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

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#### **11. Stock options and restricted share units (continued)**

- (vi) On March 22, 2019, the Company issued 1,828,418 options to directors, officers, consultants and employees of the Company. 1,426,377 of these options were issued to directors and officers. These options were valued at \$259,635 using the Black-Scholes option pricing model using the following assumptions: Expected life – 4.87 years; Volatility – 107%; Interest rate – 1.61%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.19. Volatility was based on the historical volatility of BVT and other comparable listed companies. 50% of the options vested on the date of grant, and 50% vested only upon US Environmental Protection Agency's approval of the Company's VECTORITE with CR-7TM (delivered by bees) product (for which approval was obtained on August 28, 2019).
- (vii) On September 16, 2019, the Company issued 50,000 options to a consultant of the Company. These options were valued at \$9,800 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107%; Interest rate – 1.49%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.25. Volatility was based on the historical volatility of BVT and other comparable listed companies. 50% of the options vested on September 16, 2019 and the remaining 50% to vest on December 16, 2019.

#### **Restricted share units (“RSU’s”)**

On March 22, 2019, the Company granted 728,058 RSU’s to certain directors, officers, key employees and consultants (487,922 to directors and officers). Each RSU is exercisable into one common share. The RSU’s vested only upon US Environmental Protection Agency's approval of the Company's VECTORITE with CR-7TM (delivered by bees) product (for which approval was obtained on August 28, 2019). The RSUs had an expiry date of the earlier of (i) March 22, 2029, and (ii) five years from the date of vesting. All the RSUs were exercised upon the vesting condition being met and the 728,058 shares were issued on September 4, 2019. On the date of grant management estimated all 728,058 RSUs would be vested during 2019. This estimate did not need to be adjusted as the vesting condition was met.

The grant date fair value of the RSU equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

The weighted average fair value of the RSUs granted during the year ended September 30, 2019 was \$0.142 per common share.

#### **Per cash flow:**

|                            |                  |
|----------------------------|------------------|
| Share based payments       | \$355,499        |
| Shares issued for services | <u>83,796</u>    |
|                            | <u>\$439,295</u> |

#### **Per statement of equity:**

|                            |                  |
|----------------------------|------------------|
| Share based payments       | \$304,604        |
| Shares issued for services | <u>134,691</u>   |
|                            | <u>\$439,295</u> |

#### **12. Loss per share**

The warrants and options outstanding were excluded from the computation of diluted loss per share for the years ended September 30, 2019 and September 30, 2018 because their impact was anti-dilutive.



## **BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.**

### **Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
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#### **13. Financial instruments**

##### *Fair Value*

Financial instruments of the Company as at September 30, 2019 and September 30, 2018 consist of cash, accounts receivable, and accounts payable and accrued liabilities, and loans payable. There are no significant differences between the carrying amounts of the items reported on the consolidated statements of financial position and their estimated fair values because of the short-term maturities of these items.

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

##### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include cash deposits.

##### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company is exposed to foreign currency risk on cash, accounts receivable and accounts payable denominated in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

##### *Interest rate risk*

The Company is exposed to insignificant interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest bearing cash.

##### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of its financial assets (i.e. cash). Cash is held with both financial institutions in Canada and the United States, and management believes that exposure to credit risk is not significant.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. See note 1 for further disclosure on the going concern assumption.

The Company's accounts payable and accrued liabilities are subject to normal trade terms and have contractual maturities payable within 30 days for 2019 and 2018. At September 30, 2019, the Company has current assets of \$519,949 (September 30, 2018 - \$2,840,570) and current liabilities of \$735,230 (September 30, 2018 - \$281,359) resulting in working capital (deficiency) of \$(215,281) (September 30, 2018 - \$2,559,211).

#### **14. Capital management**

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, warrants, contributed surplus and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
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**14. Capital management**

The Company is operating at a loss. As such, the Company is dependent on external financing to fund its activities. In order to pay for its operating expenses, the Company will spend its existing working capital and raise additional amounts as needed and if available.

As at September 30, 2019, managed capital was \$1,600,007 (2018 - \$3,871,266). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**15. Sales**

| <b>Revenue from contracts with customers</b> | <b>2019</b>      | <b>2018</b> |
|----------------------------------------------|------------------|-------------|
| Rendering of services                        | \$ 38,270        | \$ -        |
| Sale of goods                                | 19,906           | -           |
|                                              | <b>\$ 58,176</b> | <b>\$ -</b> |

  

| <b>Timing of revenue recognition</b> | <b>2019</b>      | <b>2018</b> |
|--------------------------------------|------------------|-------------|
| Services rendered over time          | \$ 38,270        | \$ -        |
| Goods transferred at a point in time | 19,906           | -           |
|                                      | <b>\$ 58,176</b> | <b>\$ -</b> |

All revenue was earned in the United States.

**16. Office and general**

|                               | <b>2019</b>         | <b>2018</b>         |
|-------------------------------|---------------------|---------------------|
| Accounting and audit          | \$ 75,583           | \$ 67,575           |
| Amortization and depreciation | 106,830             | 96,924              |
| Consulting                    | 258,467             | 289,742             |
| Insurance                     | 29,897              | 20,377              |
| Legal                         | 104,004             | 134,366             |
| Occupancy costs               | 134,222             | 130,991             |
| Office and general            | 79,991              | 111,277             |
| Salaries and benefits         | 649,262             | 675,843             |
| Warehouse supplies            | 6,630               | 8,355               |
| Transfer agent                | 53,030              | 45,366              |
| Travel                        | 149,822             | 116,380             |
|                               | <b>\$ 1,647,738</b> | <b>\$ 1,697,196</b> |

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
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**17. Commitments**

Effective November 1, 2015, the Company has a lease commitment for premises, which expires October 31, 2020, requiring the following approximate annual payments:

| <b>Year</b> | <b>Minimum lease payment</b> |
|-------------|------------------------------|
| 2020        | \$ 58,515                    |
| thereafter  | <u>4,888</u>                 |
| Total       | <u>\$ 63,403</u>             |

**18. Income Taxes****Provision for income taxes**

No deferred tax asset has been recognized because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for Canadian income tax purposes expiring as follows:

|       | <b>BVTI &amp; BVT</b> | <b>BVTUSA</b>    |
|-------|-----------------------|------------------|
| 2032  | 321,638               | -                |
| 2033  | 382,002               | -                |
| 2034  | 460,174               | -                |
| 2035  | 328,573               | -                |
| 2036  | 2,474,533             | -                |
| 2037  | 2,283,127             | 598,901          |
| 2038  | 2,046,726             | 672,833          |
| 2039  | 1,868,251             | 663,327          |
| Total | <u>10,165,024</u>     | <u>1,935,001</u> |

The Company has share issue costs of \$373,847 available for deduction against future Canadian taxable income over the next four years.

The Company's subsidiary, BVT USA, incurred a net operating loss of \$663,463 in a foreign jurisdiction. Due to changes in tax legislation, this net operating loss has an indefinite life and can only be used to offset 80% of taxable income. In the prior year, the Company incurred a net operating loss of \$598,901 which can be carried forward until 2037 and can be used to offset 100% of taxable income.

|                                                  | <b>2019</b>  | <b>2018</b>  |
|--------------------------------------------------|--------------|--------------|
| Loss before income taxes                         | \$ 2,897,825 | \$ 2,992,860 |
| Tax rate                                         | 26.5%        | 26.5%        |
| Calculated income tax recovery                   | (767,924)    | (793,108)    |
| Share based compensation                         | 116,294      | 99,124       |
| Non-deductible expense and other                 | (23,460)     | 56,119       |
| Difference in tax rates in foreign jurisdictions | 36,483       | 70,596       |
| Change in deferred taxes not recognized          | 638,607      | 567,269      |
| Income tax expense                               | \$ -         | \$ -         |

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

For the years ended September 30, 2019 and September 30, 2018  
(expressed in Canadian dollars)

**18. Income Taxes (continued)**

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

|                                     | 2019         | 2018         |
|-------------------------------------|--------------|--------------|
| Deferred income tax assets          |              |              |
| Non-capital loss carry forwards     | \$ 3,100,094 | \$ 2,467,178 |
| Property and equipment              | 95,834       | 77,945       |
| Patents                             | (157)        | (43,013)     |
| Share issue costs                   | (249,785)    | (192,384)    |
| Other intangible assets             | 2,290        | -            |
| Legal fees included in CEC pool     | 62,741       | 62,741       |
|                                     | 3,011,017    | 2,372,467    |
| Less: Deferred taxes not recognized | (3,011,017)  | (2,372,467)  |
|                                     | \$ -         | \$ -         |

**19. Subsequent events**

On October 23, 2019, the Company closed a non-brokered private placement of 4,242,104 special warrants (“Special Warrants”) at a price of \$0.25 per Special Warrant for gross aggregate proceeds of \$1,060,526 (the “Offering”). Each Special Warrant represents the right of the holder to receive, without payment of any additional consideration or need for further action, subject to customary anti-dilution provisions, one unit (“Unit”) four months and one day after closing. Each Unit will consist of one common share (a “Share”) and one transferable common Share purchase warrant (a “Warrant”). Each Warrant will entitle the holder, on exercise, to purchase one additional Share for a period of 18 months following the closing, at an exercise price of CAD\$0.40 per Share. The Company has the right to accelerate the expiry date of the Warrants if the closing market price of the Shares of the Company on the TSX Venture Exchange is equal to or exceeds C\$0.55 for a period of 15 consecutive trading days commencing with the date the Warrants are issued.

On October 30, 2019, BVT granted options to purchase 5,650,000 common shares of the Company with an exercise price of \$0.31 vesting on the date of grant, options to purchase 150,000 shares with an exercise price of \$0.31 vesting 50% on the date of grant and 50% on April 1, 2020, and options to purchase 100,000 shares with an exercise price of \$0.31, vesting 50% upon entering into a new formal relationship with an investment bank, and 50% upon raising of the first \$1 million through the relationship with the investment bank.

On November 28, 2019, the Company closed a non-brokered private placement of 3,047,647 special warrants (“Special Warrants”) at a price of \$0.35 per Special Warrant for gross aggregate proceeds of \$1,066,677 (the “Offering”). Each Special Warrant represents the right of the holder to receive, without payment of any additional consideration or need for further action, subject to customary anti-dilution provisions, one unit (“Unit”) four months and one day after closing. Each Unit will consist of one common share (a “Share”) and one transferable common Share purchase warrant (a “Warrant”). Each Warrant will entitle the holder, on exercise, to purchase one additional Share for a period of 18 months following the closing, at an exercise price of CAD\$0.45 per Share. The Company has the right to accelerate the expiry date of the Warrants if the closing market price of the Shares of the Company on the TSX Venture Exchange is equal to or exceeds C\$0.60 for a period of 15 consecutive trading days commencing with the date the Warrants are issued.

Subsequent to the year end 587,500 warrants and 260,000 options were exercised for gross proceeds of \$269,625.

**BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.****Notes to Consolidated Financial Statements**

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**19. Reclassification**

The Company has reclassified \$98,976 from sales and marketing to office and general (consulting) (\$50,936) and trials, research and development (\$48,040) in the comparative 2018 consolidated statement of loss and comprehensive loss to be consistent with the 2019 presentation.