CVR Medical Corp.

Interim Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of CVR Medical and have not been reviewed by the Company's auditors.

CVR Medical Corp.
Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	March 31, 2017	December 31, 2016
	$	$
Assets		
Current		
Cash	**596,786**	131,232
Prepaid expenses	**9,228**	17,189
Sales tax recoverable	**22,314**	13,779
Total Current Assets	**628,328**	162,200
Deferred financing costs (Note 9)	**18,543**	–
Equipment	**1,514**	–
Intangible assets (Note 7)	**1,470,000**	1,470,000
Total Assets	**2,118,385**	1,632,200
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable	**23,274**	78,876
Accrued liabilities	**21,169**	31,404
Due to related parties (Note 6)	**168,136**	178,886
Total Liabilities	**212,579**	289,166
Shareholders' Equity		
Share capital (Note 9)	**15,896,147**	12,401,308
Subscriptions received (Note 9)	**205,200**	–
Option reserve (Note 10)	**2,175,048**	2,109,894
Deficit	**(16,370,589)**	(13,168,168)
Total Shareholders' Equity	**1,905,806**	1,343,034
Total Liabilities and Shareholders' Equity	**2,118,385**	1,632,200

Going Concern (Note 2)
Commitments (Note 11)
Subsequent Events (Note 12)

Approved on behalf of the Board:

"Peter Bakema" Director "Erwin Wong" Director

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

CVR Medical Corp.
Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2017	2016
	$	$
Expenses		
Amortization	**39**	–
Consulting fees (Note 6)	**469,119**	20,500
Interest	**218**	(578)
Foreign exchange loss (gain)	**10,832**	(5,196)
Office and general	**390,743**	685
Professional fees	**21,707**	13,783
Rent (Note 6)	**5,900**	4,500
Share-based compensation (Note 10)	**221,170**	–
Travel and entertainment	**44,236**	–
Transfer agent and filing fees	**31,511**	3,378
Research and development costs (Notes 6 and 8)	**908,618**	–
Loss before other income	**(2,104,093)**	(37,072)
Other income (expense)		
Write-off of advance to CVR Global, Inc. (Note 8)	**(1,098,328)**	–
Net and comprehensive loss	**(3,202,421)**	(37,072)
Loss per share – basic and diluted	**(0.07)**	(0.00)
Weighted average number of shares outstanding	**45,522,677**	23,498,618

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

CVR Medical Corp.
Interim Statement of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Common Shares					
	Number	**Amount**	**Subscriptions Received**	**Option Reserve**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance, December 31, 2015	23,498,618	8,745,373	25,000	925,791	(10,160,198)	(464,034)
Net and comprehensive loss	–	–	–	–	(37,072)	(37,072)
Balance, March 31, 2016	**23,498,618**	**8,745,373**	**25,000**	**925,791**	**(10,197,270)**	(501,106)
Balance, December 31, 2016	41,549,544	12,401,308	–	2,109,894	(13,168,168)	1,343,034
Units issued pursuant to private placement	7,142,858	2,500,000	–	–	–	2,500,000
Share issuance costs	–	(198,672)	–	84,240	–	(97,979)
Exercise of stock options	1,225,000	497,058	–	(239,808)	–	257,250
Exercise of warrants	1,740,013	696,453	–	(448)	–	696,005
Subscriptions received	–	–	205,200	–	–	205,200
Share-based compensation	–	–	–	221,170	–	221,170
Net and comprehensive loss	–	–	–	–	(3,202,421)	(3,202,421)
Balance, March 31, 2017	**51,657,415**	**15,896,147**	**205,200**	**2,175,048**	**(16,370,589)**	**1,905,806**

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

CVR Medical Corp.
Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2017	2016
	$	$
Cash (used in) provided by:		
Operating activities		
Net loss	**(3,202,421)**	(37,072)
Items not involving cash:		
Amortization	**39**	–
Share-based compensation	**221,170**	–
Write-off of advance to CVR Global, Inc.	**1,098,328**	–
Net changes in non-cash working capital items:		
Sales tax recoverable	**(8,535)**	(1,130)
Prepaid expenses	**7,961**	–
Accounts payable	**(55,602)**	(15,525)
Accrued liabilities	**(10,235)**	6,925
Due to related parties	**(10,750)**	38,188
Net cash used in operating activities	**(1,960,045)**	(8,614)
Cash flows from financing activities		
Deferred financing costs	**(18,543)**	–
Share subscriptions received	**205,200**	–
Shares issued for exercise of stock options	**257,250**	–
Shares issued for exercise of warrants	**696,006**	–
Shares issued for cash, net of issuance costs	**2,385,567**	–
Net cash provided by financing activities	**3,525,480**	–
Cash flows from investing activities		
Advance to CVR Global, Inc	**(1,098,328)**	–
Purchase of equipment	**(1,553)**	–
Net cash used in investing activities	**(1,099,881)**	–
Increase (decrease) in cash	**465,554**	(8,614)
Cash, beginning of period	**131,232**	9,342
Cash, ending of period	**596,786**	728
Supplemental disclosures:		
Interest paid	**–**	–
Income tax paid	**–**	–

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

1. Corporate Information

CVR Medical Corp. (Formerly Big Bar Resources Corporation) (the "Company") was incorporated on December 10, 1980 under the British Columbia Business Corporations Act and is engaged in an equal parts joint operation with CVR Global, Inc. ("CVR Global"). The joint operation operates in the medical industry focused on the commercialization of proprietary subsonic, infrasonic, and low frequency sound wave analysis technology and has patents to a diagnostic device designed to detect and measure carotid arterial stenosis. The Company's common shares trade on the TSX Venture Exchange ("Exchange"). The Company's registered office is Suite 409 – 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

2. Basis of Presentation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by IASB. The Company uses the same accounting policies and methods of computation as in the annual financial statements for the year ended December 31, 2016.

The financial statements were authorized for issue by the Board of Directors on May 25, 2017.

b) Basis of measurement

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

c) Going concern of operations

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations. The Company incurred a net loss of $3,202,421 during the three months ended March 31, 2017, and, as of that date the Company's deficit was $16,370,589. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations and attaining future profitable operations. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amount and classification of liabilities that would be necessary should the Company be unable to continue as a going concern.

d) Critical judgments in applying accounting policies

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date 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:

i) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

2. Basis of Presentation (continued)

ii) Investment in Joint Operation

The application of the Company's accounting policy for the investment in joint venture requires judgement in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

iii) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

3. Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2018, or later periods.

The following new IFRSs that have not been early adopted in these financial statements will not have a material effect on the Company's future results and financial position:

i) IFRS 2, *Share-based Payment* (Amendments to IFRS 2); and

ii) IFRS 9, *Financial Instruments* (New; to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Financial Risk Factors

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and an advance receivable from CVR Global. Cash consists of bank accounts held with a Canadian Chartered Bank from which management believes the risk of loss is remote. The credit risk in the receivable from CVR Global is assessed as high. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company has a cash balance of $596,786 (December 31, 2016 - $131,232) and current liabilities of $212,579 (December 31, 2016 - $289,166). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The ability of the Company to continue to commercialize diagnostic devices and maintain its working capital is dependent on its ability to secure additional equity or debt financing. The liquidity risk is assessed as high.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is not exposed to any significant interest rate risk.

4. Financial Risk Factors (continued)

Foreign Exchange Risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to foreign activities. Advances from related parties and expenditures incurred with CVR Global may be denominated in U.S. dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2017	**December 31, 2016**
Fair value through profit and loss:	**$**	$
Cash	**596,786**	131,232

Classification of financial instruments (continued)

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2017	**December 31, 2016**
Non-derivative financial liabilities	**$**	$
Accounts payable	**23,274**	78,876
Due to related parties	**168,136**	178,886
	191,410	257,762

5. Capital Management

The Company considers its cash, common shares, subscriptions received, stock options, and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the commercialization of diagnostic devices and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of one year or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the period ended March 31, 2017.

6. Related Party Transactions

i) During the three months ended March 31, 2017, the Company incurred $63,018 (US$47,834) (2016 - $nil) in research and development costs related to key management compensation paid to the Chief Executive Officer and Chief Operating Officer of the Company.

ii) During the three months ended March 31, 2017, the Company incurred $nil (2016 - $2,500) in consulting fees to the former President of the Company.

iii) During the three months ended March 31, 2017, the Company incurred $20,150 (2016 - $15,000) in consulting fees to the Chief Financial Officer ("CFO") of the Company. As at March 31, 2017, the Company owed $90,355 (December 31, 2016 - $105,471) to the CFO of the Company. The amounts are unsecured, non-interest bearing and due on demand.

iv) During the three months ended March 31, 2017, the Company incurred rent of $nil (2016 - $4,500) to a private company controlled by the CFO of the Company

v) During the three months ended March 31, 2017, the Company incurred $nil (2016 - $3,000) in consulting fees to a former director of the Company.

6. Related Party Transactions (continued)

vi) During the three months ended March 31, 2017, the Company incurred $13,000 (2016 - $nil) in consulting fees to a company controlled by a director of the Company.

vii) During the three months ended March 31, 2017, the Company incurred $5,000 (2016 - $nil) in consulting fees and $91,905 (2016 - $nil) in share-based compensation to a company controlled by a director of the Company. As at March 31, 2017, the Company owed $5,000 (December 31, 2016 - $nil) to the director of the Company. The amounts are unsecured, non-interest bearing and due on demand.

viii) As at March 31, 2017, the Company owed a shareholder of the Company $24,555 (US$18,464) (December 31, 2016 - $24,791 (US$18,464)) and $7,000 (December 31, 2016 - $7,000) for advances.

ix) As at March 31, 2017, the Company owed a shareholder of the Company $41,227 (US$31,000) (December 31, 2016 - $41,624 (US$31,000) for advances.

The balances owing are unsecured, non interest bearing and have no fixed terms for repayment.

7. Asset Purchase Agreement

On November 5, 2015, the Company entered into an Asset Purchase Agreement (the "Transaction") with CVR Global for the acquisition of patents (the "Patents") relating to a diagnostic device developed by CVR Global, which is designed to detect and measure carotid arterial stenosis (the "Device"). The Transaction was subject to a number of conditions including, but not limited to, delivery by CVR Global of a satisfactory valuation as to the value of the Patents, completion of due diligence reviews by the parties, approval by each of the Company and CVR Global boards of directors and Exchange acceptance for filing. On September 16, 2016, the Company issued 7,000,000 common shares with a fair value of $1,470,000 to CVR Global in consideration for the Patents and closed the Transaction.

Upon closing of the Transaction, CVR Global and the Company formed a joint operation pursuant to which the Company will contribute the Patents and working capital, and CVR Global will contribute certain additional patents and intellectual property, as well as management know-how and marketing expertise, for an initial equal equity interest by both parties in the joint operation. During the three months ended March 31, 2017, the Company recorded research and development costs of $908,618 from the joint operation.

On March 9, 2017, the Company entered into a Letter of Intent ("LOI") with CVR Global to acquire an additional 10% interest of the joint operation from CVR Global for 3,000,000 common shares of the Company. No definitive agreement was entered as at the date of issuance of these financial statements.

8. Advance to CVR Global

During the year ended December 31, 2016, the Company advanced $1,616,244 to CVR Global, to be used for the commercialization of the Device, separate from the joint operation as described in Note 7. During the three months ended March 31, 2017, the Company advanced an additional $1,098,328 to CVR Global. The advance is non-interest bearing, unsecured and is due on demand. As at March 31, 2017, the Company was owed $1,980,176 (December 31, 2016 - $881,848). Due to uncertainty of collection, the Company wrote off the receivable of $881,848 from CVR Global at December 31, 2016. Furthermore, the Company wrote off the additional receivable of $1,098,328 at March 31, 2017. If there is a recovery of the receivable in a future period, it will be recognized in income.

9. Share Capital

Authorized share capital consists of unlimited number of common shares without par value.

On February 23, 2017, the Company closed a non-brokered private placement of 7,142,858 units at $0.35 per unit for gross proceeds of $2,500,000. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant which is exercisable at a price of $0.70 until August 22, 2018. In connection with the private placement, the Company paid certain finders a commission of $94,233, issued 268,670 finders warrants with a fair value of $84,240, and incurred other costs related to the private placement of $20,199, which have been recorded as share issue costs. No value was attributed to the warrants.

During the three months ended March 31, 2017, the Company issued 1,225,000 common shares pursuant to the exercise of 1,225,000 stock options with an exercise price of $0.21 per share for total proceeds of $257,250.

During the three months ended March 31, 2017, the Company issued 1,740,013 common shares pursuant to the exercise of 1,740,013 warrants at $0.40 per share for total proceeds of $696,005.

10. Stock Options and Warrants

At March 31, 2017, the Company has received subscriptions of $205,200 related to a subsequent private placement and the exercise of warrants (Note 12). Additionally, at March 31, 2017, the Company has incurred share issuance costs of $18,543 related to the subsequent private placement which have been included in deferred financing costs.

The Company's Board of Directors approved a stock incentive plan dated June 25, 2003 in accordance with the policies of the Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding five years.

On September 21, 2016, the Company granted 350,000 stock options to an investor relation consultant (Note 11) which vested 25% quarterly and are exercisable at $0.21 per share for a period of five years. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 4.73 years, average risk-free interest rate – 1.11%, expected dividend yield – 0%, and average expected stock price volatility – 163%. During the three months ended March 31, 2017, $91,555 was recognized in share-based compensation and recorded in option reserve for vested options.

On January 12, 2017, the Company granted 100,000 stock options to a consultant, which vested immediately and are exercisable at $0.33 per share for a period of one year. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 1 year, average risk-free interest rate - 0.73%, expected dividend yield – 0%, and average expected stock price volatility – 195%. During the three months ended March 31, 2017, $37,710 was recognized in share-based compensation and recorded in option reserve.

On February 9, 2017, the Company granted 200,000 stock options to a director of the Company, which vested immediately and are exercisable at $0.43 per share for a period of five years. The fair value of this grant was determined by the Black Scholes Option Pricing Model using the following assumptions: expected life – 5 years, average risk-free interest rate – 1.06%, expected dividend yield – 0%, and average expected stock price volatility – 178%. During the three months ended March 31, 2017, $91,905 was recognized in share-based compensation and recorded in option reserve.

The following table summarizes information about the options at March 31, 2017, and December 31, 2016, and the changes for the periods then ended:

	March 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of period	6,000,000	0.21	–	–
Granted	300,000	0.40	6,000,000	0.21
Exercised	(1,225,000)	0.21	–	–
Options outstanding – End of period	5,075,000	0.22	6,000,000	0.21
Options exercisable – End of period	4,900,000	0.22	5,737,500	0.21

The following table summarizes information about stock options outstanding and exercisable at March 31, 2017:

Exercise Price $	Options outstanding	Options Exercisable	Weighted average remaining contracted life (years)
0.21	4,775,000	4,600,000	4.48
0.33	100,000	100,000	0.79
0.43	200,000	200,000	4.87

10. Stock Options and Warrants (continued)

Share purchase warrants

The following table summarizes information about the warrants at March 31, 2017, and December 31, 2016, and the changes for the periods then ended:

	March 31, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding – Beginning of period	11,464,867	0.40	–	–
Issued	3,807,012	0.70	11,491,183	0.40
Exercised	(1,740,013)	0.40	(26,316)	0.40
Warrants outstanding – End of period	13,531,866	0.48	11,464,867	0.40

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at March 31, 2017:

Exercise Price $	Expiry date	Warrants Outstanding	Weighted average remaining contracted life (years)
0.40	September 15, 2018	9,724,854	1.46
0.70	August 22, 2018	3,807,012	1.39

Option reserve

The option reserve records items recognized as share-based compensation expense and fair value of warrants issued for services until such time that the options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

11. Commitments

On September 27, 2016, the Company entered into a consulting agreement with a third party for the provision of investor relation services. The consultant will initiate and maintain contact with the financial community, shareholders, investors and other stakeholders for the purpose of increasing awareness of the Company and its activities. The agreement is for an ongoing basis and may be terminated by either party by 30 days of written notice and is subject to approval from the Exchange. In exchange for the services, the Company will provide a monthly retainer of $6,500 plus applicable taxes at the start of each month, plus expenses. In addition, the Company granted 350,000 stock options exercisable at $0.21 per share until September 21, 2021 (Note 10).

On October 12, 2016, the Company entered into a marketing agreement in which the Company agreed to pay $5,000 per month for one year where the consultant will provide assistance in maintaining an orderly trading market for the common shares of the Company.

On March 1, 2017, the Company entered into a sub-lease agreement for use of an office space for the Company. The Company agreed to pay a total of $1,400 per month. The agreement is on a month to month basis and may be terminated by providing advanced written notice of 30 days.

12. Subsequent Events

On April 25, 2017, the Company closed a private placement of 9,031,768 units at $0.48 per unit for gross proceeds of $ $4,335,249. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant which is exercisable at a price of $0.70 until October 25, 2018. The Company paid certain finders commissions of $216,638 and issued 451,328 compensation warrants.

Subsequent to March 31, 2017, the Company issued 405,000 common shares pursuant to the exercise of 405,000 warrants at $0.40 per share for total proceeds of $162,000.