CVR Medical Corp.

Condensed Interim Consolidated Financial Statements

Six months Ended June 30, 2020

(Expressed in U.S. 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.
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	June 30, 2020 (unaudited)	December 31, 2019 (audited)
	$	$
Assets		
Current		
Cash	**51,951**	3,233
Prepaid expenses	**61,664**	61,381
Taxes and other receivables	**11,649**	10,578
Total Current Assets	**125,264**	75,192
Equipment	**371**	509
Intangible assets (Note 7)	**1,080,009**	1,133,958
Total Assets	**1,205,644**	1,209,659
Liabilities and Shareholders' (Deficit) Equity		
Liabilities		
Current		
Accounts payable	**630,251**	629,497
Accrued liabilities	**38,956**	19,903
Due to CVR Global, Inc. (Note 9)	**1,890,505**	1,812,019
Due to related parties (Note 9)	**825,105**	825,614
Promissory note payable (Note 10)	**114,650**	35,767
Total Current Liabilities	**3,499,467**	3,322,800
Promissory notes payable (Note 9 and 10)	**162,500**	109,615
Total Liabilities	**3,661,967**	3,432,415
Shareholders' Equity		
Share capital (Note 11)	**25,354,122**	25,354,122
Equity reserves (Note 12)	**2,934,755**	2,718,286
Accumulated other comprehensive income	**514,369**	282,132
Deficit	**(31,259,569)**	(30,577,296)
Total Shareholders' (Deficit) Equity	**(2,456,323)**	(2,222,756)
Total Liabilities and Shareholders' (Deficit) Equity	**1,205,644**	1,209,659

Going Concern (Note 2)

Approved on behalf of the Board:

"Paul Blunden" Director "Phil Bendick" Director

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

CVR Medical Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
(Expressed in U.S. dollars)

	Three Months Ended June 30,		Six months Ended June 30,	
	2020	2019	**2020**	2019
			$	$
Expenses				
Consulting fees (Note 9)	**(141)**	430,524	**14,555**	807,796
Depreciation	**56**	58	**114**	116
Bank charges	**350**	2,055	**1,042**	3,349
Foreign exchange gain (loss)	**210,962**	(21,066)	**282,224**	(74,654)
Office and general	**10,427**	107,715	**33,748**	283,083
Professional fees	**17,746**	55,170	**42,312**	182,956
Research and development costs (Notes 9)	**(1,001)**	549,982	**52,812**	1,136,579
Share-based compensation (Note 8 and 12)	**104,028**	411,469	**216,469**	1,038,783
Travel and entertainment	**(24,055)**	75,371	**(8,794)**	198,775
Transfer agent and filing fees	**404**	4,096	**16,425**	30,818
Loss before other income (expense)	**(318,776)**	(1,615,374)	**(650,907)**	(3,607,601)
Other income (expense)				
Interest income		1,923		3,891
Interest expense (Notes 9 and 10)	**(8,960)**	(27,916)	**(31,366)**	(46,815)
Net loss	**(327,736)**	(1,641,367)	**(682,273)**	(3,650,525)
Other comprehensive income (loss):				
Foreign currency translation	**243,169**	(8,535)	**232,236**	(72,177)
Comprehensive loss	**(84,567)**	(1,649,902)	**(450,037)**	(3,722,702)
Loss per share – basic and diluted	**(0.00)**	(0.02)	**(0.01)**	(0.04)
Weighted average number of shares outstanding	**101,377,872**	100,817,056	**101,377,872**	97,606,370

(Expressed in U.S. dollars)

	Common Shares					
	Number	**Amount**	**Equity Reserves**	**Accumulated Other Comprehensive Income**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance, December 31, 2018	87,627,552	22,906,812	2,400,674	344,259	(25,440,161)	211,584
Units issued pursuant to private placements	11,750,320	2,207,676	–	–	–	2,207,676
Share issuance costs	–	(239,812)	89,241	–	–	(150,571)
Share-based compensation pursuant to restructuring agreement	–	–	966,380	–	–	966,380
Shares issued pursuant to restructuring agreement	2,000,000	362,448	(362,448)	–	–	–
Share-based compensation	–	–	72,403	–	–	72,403
Foreign currency translation	–	–	–	(72,177)	–	(72,177)
Net and comprehensive loss	–	–	–	–	(3,650,525)	(3,650,525)
Balance, June 30, 2019	**101,377,872**	**25,237,124**	**3,166,250**	**272,082**	**(29,090,686)**	**(415,230)**
Balance, December 31, 2019	101,377,872	25,354,122	2,718,286	282,132	(30,577,296)	(2,222,756)
Share-based compensation pursuant to restructuring agreement	–	–	209,881	–	–	209,881
Share-based compensation	–	–	6,588	–	–	6,588
Foreign currency translation	–	–	–	232,237	–	232,237
Net and comprehensive loss	–	–	–	–	(682,273)	(682,273)
Balance, June 30, 2020	**101,377,872**	**25,354,122**	**2,934,755**	**514,369**	**(31,259,569)**	**(2,456,323)**

At June 30, 2020, the Company held 25,000,000 (December 31, 2019 – 25,000,000) common shares in escrow pursuant to the Restructuring Agreement with CVR Global, which will be released upon the achievement of certain milestones (Note 8). The shares held in escrow are not included in the number of common shares outstanding above.

CVR Medical Corp.
Consolidated Interim Condensed Statements of Cash Flows
(Unaudited)
(Expressed in U.S. dollars)

	Six months Ended June 30, 2020	Six months Ended June 30, 2019
	$	$
Cash (used in) provided by:		
Operating activities		
Net loss	**(682,273)**	(3,650,525)
Items not involving cash:		
Depreciation	**114**	116
Share-based compensation	**216,469**	1,038,783
Net changes in non-cash working capital items:		
Accrued interest on loan receivable	**–**	(3,920)
Accrued interest on promissory notes payable	**14,273**	–
Taxes and other receivables	**(1,071)**	(7,131)
Prepaid expenses	**(283)**	8,781
Accounts payable	**754**	64,978
Accrued liabilities	**19,053**	53,428
Due to CVR Global, Inc.	**78,486**	227,535
Due to related parties	**(509)**	254,739
Net cash used in operating activities	**(354,987)**	(2,013,216)
Cash flows from financing activities		
Proceeds from promissory notes payable	**117,495**	**–**
Shares issued for cash, net of issuance costs	**–**	2,057,105
Net cash provided by financing activities	**117,495**	2,057,105
Effect of foreign exchange on cash	**286,210**	(114,461)
Decrease in cash	**48,718**	(70,752)
Cash, beginning of period	**3,233**	74,742
Cash, ending of period	**51,951**	3,990
Supplemental disclosures:		
Interest paid	**–**	46,815
Non-cash investing and financing activities:		
Fair value of brokers warrants for share issuance costs	–	89,240
Fair value of shares issued pursuant to restructuring agreement with CVR Global, Inc.	–	362,448

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

1. Corporate Information

CVR Medical Corp. (the "Company") was incorporated on December 10, 1980 under the British Columbia Business Corporations Act. The Company is a healthcare company that operates in the medical device industry focused on the commercialization of its disruptive, proprietary Carotid Stenotic Scan ("CSS") device (the "Device"). The Device is a diagnostic tool that encompasses subsonic, infrasonic, and low frequency sound wave analysis technology. The Device is a patented device designed to detect and measure carotid arterial stenosis The Company was previously engaged in an equal parts joint operation with CVR Global, Inc. ("CVR Global") to commercialize the Device, which was terminated pursuant to a restructuring agreement (Note 8). The Company's common shares trade on the TSX Venture Exchange ("Exchange"). The Company's head office and registered office is 409 – 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Basis of Presentation

a) Statement of compliance

These condensed interim consolidated 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 consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019, 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, 2019.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2020.

b) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CVRM, Inc., a company incorporated on February 9, 2018, in the State of Delaware. All inter-company balances and transactions have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

c) Going concern of operations

The condensed interim consolidated 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 $682,273 during the six months ended June 30, 2020, and, as of that date the Company's deficit was $31,259,569. 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 conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated 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.

3. Basis of Presentation

d) Critical judgments in applying accounting policies

The preparation of these condensed interim consolidated 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 condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such 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 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.

ii) Intangible Assets

Management has exercised their judgement in determining if the patents and license are impaired. The judgement is based on the expected future benefit of the intangible assets.

iii) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with parties other than employees by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. 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 9 and 13.

iv) Determination of Functional Currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management has determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary, CVRM, Inc., is the U.S. dollar.

4. Recent Accounting Pronouncements

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 consolidated financial statements.

4. Financial Risk Factors

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

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 June 30, 2020, the Company has a cash balance of $51,951 (2019 - $3,233) and current liabilities of $3,499,467 (2019 - $3,322,800). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company's due to CVR Global and promissory note payable are due on demand. 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.

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 loan receivable from CVR Global, Inc. Cash consists of bank accounts held with Canadian and United States chartered banks from which management believes the risk of loss is remote. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets.

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 an interest-bearing promissory note payable with a fixed interest rate. 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.

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. The Company's research and development activities are performed in the United States and, as a result, a significant portion of the Company's expenditures are made in U.S. dollars. However, certain of the Company's equity financings and expenditures are denominated in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

5. Capital Management

The Company considers its cash, common shares, 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.

5. Capital Management (continued)

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 six months ended June 30, 2020.

(Expressed in U.S. dollars)

6. Loan Receivable from CVR Global, Inc.

On August 1, 2017, CVR Global entered into a Commercial Sub-lease Agreement (the “Agreement”) with LJ Trader, Inc., a company owned by the former CEO of the Company (“Former CEO”), which leased the property from the owner. The property being leased (the “Property”) was the head office of the Company and was also the personal residence of the Former CEO. The property also was used by CVR Global corporate meetings. The Former CEO individually held an option to purchase the property that expired on November 29, 2019.

As the Company and CVR Global did not have a formal office in the immediate area, the Property was to be used for local independent contractors, who perform daily management, administrative and research and development activities and services on behalf of CVR Global. The Property required leasehold improvements to make it suitable for larger meetings and for independent contractors and Board Members who meet and also stay overnight at the Property.

At June 30, 2020, the Company has provided a total of $130,659 to CVR Global to fund leasehold improvements incurred by CVR Global on the Property (the “Recoverable Costs”). Pursuant to a sub-lease agreement between CVR Global and LJ Trader Inc., and an agreement between CVR Global and the Company, these costs shall be reimbursed to CVR Global in the event the Former CEO exercised his option to purchase the Property and the Property was subsequently sold. Furthermore, pursuant to a subsequent agreement between the Company and CVR Global dated July 30, 2019, CVR Global shall pay to the Company an amount equal to $130,659 (the “Loan”), which bears interest at 6% per annum, within 2 business days of receipt of sale proceeds by the Former CEO (the “Payment Date”). Management of CVR Global will be responsible for collecting the funds from the Former CEO. CVR Global acknowledges and agrees that if CVR Global has not repaid the Loan within 2 business days of the Payment Date, the Company has the right to deduct an amount equal to the Loan from any invoices then due or due in the future from the Company to CVR Global up to an amount equal to the Loan.

The Restructuring Agreement, effective November 1, 2018, had a clause which indicated that any and all amounts due between the Company and CVR Global will be forgiven upon completing the restructuring. However, as set forth in the above referenced agreement, management of both the Company and CVR Global have separately agreed that the costs relating to the $130,659 in property improvement costs will be considered separately and that these costs are not subject to the debt forgiveness clause. During the six months ended June 30, 2020, the Company amended the repayment terms of the Loan. During the year ended December 31, 2019, the Company recognized a write-off of the loan receivable and accrued interest from CVR Global of $138,499 due to uncertainty of collection as a result of the resignation of the former CEO of the Company in November 2019.

On April 25, 2020, the Board of Directors of the Company approved a compensation package to the former CEO of the Company. Pursuant to the agreement, the Company agreed to pay the former CEO a total of $500,000 in severance to be paid in monthly installments of $15,000 for a total of 34 months. These payments will begin only within 30 days upon receipt of the first tranche of funding over $1,000,000 received by the Company. In the event that the Company’s month-end cash balance is less than $200,000, payment may be paused, and no default will apply. In addition, the balance of the loan receivable of $130,639 shall be repaid directly by the former CEO, rather than CVR Global, Inc., by deducting $5,000 from the monthly severance installments for a total of 26 months.

7. Intangible Assets

Intangible assets are comprised of the following:

	Patents $
Cost	
Balance at December 31, 2019	1,133,958
Foreign currency adjustment	(53,949)
Balance at June 30, 2020	1,080,009

(Expressed in U.S. dollars)

7. Intangible Assets (continued)

Depreciation and impairment losses	
Balance at December 31, 2019 and June 30, 2020	–
Carrying amounts	
Balance at December 31, 2019	1,133,958
Balance at June 30, 2020	1,080,000

Effective September 16, 2016, the Company acquired patents (the "Patents") underlying a diagnostic device developed by CVR Global Inc. for the detection and measurement of the Device in consideration for 7,000,000 common shares of the Company with a fair value of CDN$1,470,000 (the "Transaction"). The Patents and the Device are not in use and no amortization was recognized during the six months ended June 30, 2020, and 2019.

8. Restructuring Agreement

On October 31, 2018, the Company and CVR Global closed a Restructuring Agreement, whereby the Company acquired CVR Global's 50% interest in the joint operation (Note 6) and the joint operation was terminated in favor of commercialization of the CSS Device in the Company's wholly-owned subsidiary, CVRM, Inc. The Company and CVR Global licensed all necessary patents and technology for the commercialization of the CSS Device and CVR Global terminated and relinquished its share of profits from the joint operation. Additionally, CVRM, Inc. entered into a CSS Commercialization Agreement, whereby CVRM, Inc. retained CVR Global as the exclusive developer and manufacturer of the CSS Device with funding to be provided by CVRM, Inc. The initial term of the CSS Commercialization Agreement is 20 years, which renews for successive 5-year terms unless terminated by the Company or CVR Global. As consideration under the Restructuring Agreement, the Company issued 3,000,000 common shares upon closing of the agreement and placed 27,000,000 common shares in escrow, which will be released to CVR Global upon achievement of the following milestones:

- 2,000,000 common shares upon submission of the CSS Device to the FDA (released January 16, 2019);
- 10,000,000 common shares upon FDA clearance and approval of the CSS Device;
- 15,000,000 common shares upon achievement of US$50,000,000 in revenue from the sales of the CSS Device.

In addition, the Company granted a 7% royalty on all CSS Device sales and a 3% royalty on all associated disposable sales.

In accordance with IFRS 2, *Share-based Payment*, the common share consideration was deemed to be granted to non-employees. As a result, the Company is required to measure the fair value of the equity instruments by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

Since the fair value of the services received cannot be reliably estimated, the Company measured the services received by reference to the fair value of the common shares issued to CVR Global, which is based on the Company's stock price.

Under IFRS 2, the achievement milestones are non-market vesting conditions, The Company received its final approval from the TSX Venture on October 31, 2018, at which time the transaction closed. The vesting date for the first milestone was determined to be the date of closing of the Restructuring Agreement (October 31, 2018), at which point the closing stock price of the Company's common shares was CDN$0.285 per share. The vesting date for the second milestone was determined to be January 4, 2019, the date of submission of the CSS Device to the

FDA, at which point the closing stock price of the Company's common shares was CDN$0.34 per share. The remaining unvested shares will be re-measured based on the stock price of the Company's common shares at each period-end until they vest, at which point their fair value becomes "locked-in". The fair value of the unvested common share consideration is also adjusted to reflect management's best available estimate of the number of shares that are expected to vest.

During the six months ended June 30, 2020, the Company recognized share-based compensation of $209,881 (2019 - $966,380) related to the vesting of the common share consideration.

9. Related Party Transactions

a) During the six months ended June 30, 2020, the Company incurred $22,500 (2019 - $273,550) in research and development costs related to key management compensation paid to the former Chief Executive Officer ("CEO") of the Company, former Chief Operating Officer ("COO") of the Company, the President and director of the Company and companies controlled by the former CEO of the Company, the former COO of the Company and the President and director of the Company. Prior to the termination of the joint operation on October 31, 2018, the key management compensation consists of 50% of the fees payable to each of the parties above, with the remaining 50% being incurred by CVR Global Inc. and included in the write-off of advance from CVR Global, Inc. Effective November 1, 2018, the key management compensation consists of 100% of the fees to each of the parties above.

b) As at June 30, 2020, the Company owed $208,667 (December 31, 2019 - $208,731) to a company controlled by the former CEO of the Company. The amount is unsecured, non-interest bearing and due on demand.

c) As at June 30, 2020, the Company owed $116,029 (December 31, 2019 - $116,536) to the former CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.

d) During the six months ended, June 30, 2020, the Company incurred a total of $nil (2019 - $73,347) in director fees to four directors and former directors of the Company. As at June 30, 2020, the Company owed a total of $199,332 (December 31, 2019 - $198,994) to the four former directors of the Company. The amounts are unsecured, non-interest bearing and due on demand.

e) During the six months ended, June 30, 2020, the Company incurred consulting fees of $nil (2019 - $99,996) to the former Executive Vice President ("Executive VP") of the Company. At June 30, 2020, the Company owed $97,018 (December 31, 2019 - $97,018) to the former Executive VP of the Company. The amount is unsecured, non-interest bearing and due on demand.

f) During the six months ended, June 30, 2020, the Company incurred share-based compensation of $6,588 (2019 - $72,403) to current and former directors and officers of the Company.

g) As at June 30, 2020, the Company owed $167,549 (December 31, 2019 - $167,549) to the former COO of the Company. The amount is unsecured, non-interest bearing and due on demand.

h) As at June 30, 2020, the Company owed $5,510 (CDN$7,500) (December 31, 2019 - $5,786 (CDN$7,500)) to a former director of the Company. The amount is unsecured, non-interest bearing and due on demand.

i) As at June 30, 2020, the Company owed a shareholder of the Company $31,000 (December 31, 2019 - $31,000) for advances.

j) As at June 30, 2020, the Company owed CVR Global a total of $1,890,505 (December 31, 2019 - $1,812,019) for research and development expenses pursuant to the Commercialization Agreement (Note 8).

k) During the year ended December 31, 2019, the Company received total proceeds of $96,408 from the issuance of promissory notes to current and former officers and directors of the Company. During the six months ended June 30, 2020, the Company received total proceeds of $84,214 from the issuance of promissory notes to current and former officers and directors of the Company. The loans bear interest at 15% per annum, are unsecured, and have a term of 24 months. As at June 30, 2020, the Company has accrued interest on the promissory notes of $10.878 (December 31, 2019 - $1,727).

10. Promissory Notes Payable

a) On July 25, 2018, the Company issued a Promissory Note, whereby it received a loan of $25,000 from a third party, who was appointed as a director of the Company subsequent to the issuance of the Promissory Note. The loan bears interest at 30% per annum, is secured by shares of the Company which are currently owned by CVR Global, and had a term of 6 months. The loan may be repaid at any time without penalty, except that the full interest shall be due and payable for the entire 6-month term. As at June 30, 2020, the Company has accrued interest on the promissory note of $14,507 (December 31, 2019 – $10,767).

b) During the year ended December 31, 2019, the Company received total proceeds of $11,153 from the issuance of promissory notes to third parties. During the six months ended June 30, 2020, the Company received total proceeds of $33,281 from the issuance of promissory notes to third parties. The loans bear interest at 15% per annum, are unsecured, and have a term of 24 months. As at June 30, 2020, the Company has accrued interest on the promissory notes of $1,710 (December 31, 2019 – $327).

(Expressed in U.S. dollars)

11. Share Capital

At June 30, 2020, the Company held 25,000,000 (2019 – 25,000,000) common shares in escrow pursuant to the Restructuring Agreement with CVR Global, which will be released upon the achievement of certain milestones (Note 8).

12. Stock Options and Warrants

Stock options

The Company's Board of Directors approved a stock incentive plan 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 10 years.

On February 21, 2019, the Company granted an aggregate of 4,350,000 stock options to an employees, directors and officers of the Company, of which a total of 1,700,000 stock options vest immediately and the remaining 2,650,000 stock options vest on the first anniversary of the grant date. The stock options are exercisable at CDN$0.25 per share for a period of 5 years. The fair value of this grant was determined to be $0.21 per option by the Black Scholes Option Pricing Model using the following assumptions: expected life – 5 years, average risk-free interest rate – 1.81%, expected dividend yield – 0%, and average expected stock price volatility – 153%. During the six months ended, June 30, 2020, $6,588 (CDN$8,983) was recognized in stock-based compensation and recorded in option reserve.

The following table summarizes information about the options at June 30, 2020 and December 31, 2019, and the changes for the periods then ended:

	June 30, 2020		**December 31, 2019**	
	Number of options	**Weighted average exercise price CDN$**	**Number of options**	**Weighted average exercise price CDN$**
Options outstanding – Beginning of period	5,300,000	0.22	3,850,000	0.21
Granted	–	–	4,350,000	0.25
Forfeited	(2,400,000)	0.23	(2,900,000)	0.25
Options outstanding – End of period	2,900,000	0.22	5,300,000	0.22
Options exercisable – End of period	2,900,000	0.22	4,750,000	0.22

The following table summarizes information about stock options outstanding and exercisable at June 30, 2020:

Exercise price CDN$	**Options outstanding**	**Options exercisable**	**Remaining contracted life (years)**
0.21	2,350,000	2,350,000	1.23
0.25	550,000	550,000	3.65

(Expressed in U.S. dollars)

12. Stock Options and Warrants (continued)

Share purchase warrants

The following table summarizes information about the warrants at June 30, 2020 and December 31, 2019, and the changes for the years then ended:

	June 30, 2020		December 31, 2019	
	Number of warrants	Weighted average exercise price CDN$	Number of warrants	Weighted average exercise price CDN$
Warrants outstanding – Beginning of period	25,866,585	0.47	16,887,413	0.60
Issued	–	–	12,310,384	0.36
Exercised	–	–	–	–
Expired	(2,518,600)	1.50	(3,331,212)	0.70
Warrants outstanding – End of period	23,347,985	0.34	25,866,585	0.47

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at June 30, 2020:

Exercise Price CDN$	Expiry date	Warrants Outstanding	Remaining contracted life (years)
0.36	September 5, 2023	1,942,000	3.18
0.36	September 22, 2023	1,935,427	3.23
0.36	October 26, 2023	1,311,333	3.32
0.36	November 9, 2023	2,708,641	3.36
0.36	November 30, 2023	710,200	3.42
0.36	December 20, 2023	2,430,000	3.47
0.25	January 17, 2024	359,800	3.55
0.36	January 17, 2024	4,820,000	3.62
0.36	February 12, 2024	540,000	3.65
0.25	February 21, 2024	125,264	3.76
0.36	February 21, 2024	2,123,188	3.85
0.36	April 2, 2024	3,017,132	3.18
0.36	May 6, 2025	1,325,000	3.23

Equity reserves

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

13. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's main operations are within the medical sector relating to research and development of the Device.