

**FluroTech Ltd.**  
**Condensed Interim Financial Statements (Unaudited)**  
**March 31, 2020**  
**(In Canadian dollars)**

**FluroTech Ltd.**  
**March 31, 2020**

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**FluroTech Ltd.**  
**Condensed Interim Statements of Financial Position**  
(In Canadian dollars)  
**Unaudited**

	<b>March 31, 2020</b>	December 31, 2019
<b>Assets</b>		(Audited)
Current assets		
Cash	<b>\$629,615</b>	\$1,718,152
Term deposits	<b>942,910</b>	862,000
Accounts receivable (Note 6)	<b>71,794</b>	72,446
Inventory (Note 3)	<b>612,046</b>	658,775
Prepaid expenses and deposits	<b>41,380</b>	47,011
<b>Total current assets</b>	<b>2,297,745</b>	3,358,384
Property and equipment (Note 4)	<b>234,398</b>	247,658
Intangible assets	<b>1</b>	1
<b>Total assets</b>	<b>2,532,144</b>	\$3,606,043
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>\$412,422</b>	\$564,129
<b>Total current liabilities</b>	<b>412,422</b>	564,129
<b>Shareholders' equity</b>		
Share capital (Note 7)	<b>11,222,334</b>	11,222,334
Warrants (Note 8)	<b>192,753</b>	1,161,345
Contributed surplus (Note 9)	<b>2,558,789</b>	1,554,132
Deficit	<b>(11,855,154)</b>	(10,895,897)
<b>Total shareholders' equity</b>	<b>2,118,722</b>	3,041,914
<b>Total liabilities and shareholders' equity</b>	<b>2,532,144</b>	\$3,606,043

*Going concern (Note 1) and Subsequent events (Note 12)*

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

**FluroTech Ltd.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the three-month periods ended March 31,**  
**(In Canadian dollars)**  
**Unaudited**

	2020	2019
<b>Revenue</b>	<b>40,934</b>	-
<b>Cost of sales</b>	<b>24,079</b>	-
<b>Gross margin</b>	<b>16,855</b>	-
<b>Expenses</b>		
Research and development	392,869	146,462
General and administration	264,220	287,762
Sales and marketing	141,380	127,345
Operations	125,844	128,127
Share based compensation (Note 9)	36,065	133,349
Depreciation (Note 4)	36,472	46,807
<b>Total expenses</b>	<b>996,850</b>	<b>869,852</b>
Interest income	20,738	25,883
<b>Net loss and comprehensive loss</b>	<b>\$(959,257)</b>	<b>\$(843,969)</b>
<b>Loss per common share – Basic and diluted (Note 10)</b>	<b>\$(0.02)</b>	<b>\$(0.02)</b>

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**FluroTech Ltd.**  
**Condensed Interim Statements of Changes in Shareholders' Equity**  
**For the three-month periods ended March 31,**  
**(In Canadian dollars)**  
**Unaudited**

	Share Capital	Warrants	Contributed Surplus	Deficit	Shareholders' Equity
Balance December 31, 2018	9,598,695	1,752,529	893,111	(6,548,436)	5,695,899
Warrants exercised (Note 7 & 8)	1,379,652	(270,164)	-	-	1,109,488
Share based compensation (Note 9)	-	-	133,349	-	133,349
Net loss	-	-	-	(843,969)	(843,969)
<b>Balance March 31, 2019</b>	<b>10,978,347</b>	<b>1,482,365</b>	<b>1,026,460</b>	<b>(7,392,405)</b>	<b>6,094,767</b>
Balance December 31, 2019	<b>\$11,222,334</b>	<b>\$1,161,345</b>	<b>\$1,554,132</b>	<b>\$(10,895,897)</b>	<b>\$3,041,914</b>
Warrants expired (Note 7 & 8)	-	(968,592)	968,592	-	-
Share based compensation (Note 9)	-	-	36,065	-	36,065
Net loss	-	-	-	(959,257)	(959,257)
<b>Balance March 31, 2020</b>	<b>11,222,334</b>	<b>192,753</b>	<b>2,558,789</b>	<b>(11,855,154)</b>	<b>2,118,722</b>

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

**FluroTech Ltd.**  
**Statements of Cash Flows**  
**For the three-month periods ended March 31,**  
**(In Canadian dollars)**  
**Unaudited**

	2020	2019
<b>Operating</b>		
Net loss	(959,257)	(843,969)
Items not affecting cash:		
Share based compensation (Note 7)	36,065	133,349
Depreciation of property and equipment (Note 4)	36,472	46,807
Loss on disposal of a fixed asset (Note 4)	737	
Change in accounts receivable	652	13,769
Change in inventory	46,729	(81,673)
Change in prepaid expenses	5,631	(41,542)
Change in accounts payable, accrued liabilities and amounts due to Alberta BioPhotonics (Note 11)	(151,707)	(233,533)
Net cash used in operating activities	(984,678)	(1,006,792)
<b>Financing</b>		
Proceeds from exercise of warrants (Note 7 & 8)	-	1,109,488
Net cash provided by financing activities	-	1,109,488
<b>Investing</b>		
Net investment in term deposits including accrued interest	(80,910)	1,755,068
Proceeds for disposal of asset	1,500	-
Capital asset acquisitions (Note 4)	(25,449)	(4,860)
Net cash used in investing activities	(104,859)	1,750,208
<b>Net (decrease)/increase in cash</b>	<b>(1,089,537)</b>	<b>1,852,904</b>
Cash, beginning of period	1,718,152	3,259,958
<b>Cash, end of period</b>	<b>628,615</b>	<b>5,112,862</b>

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

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**FluroTech Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
**March 31, 2020**  
**(In Canadian dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

FluroTech Ltd. (the “Company” or “FluroTech”), incorporated under the Business Corporations Act (Alberta), is a technology and marketing company whose core business is focused on the commercialization of new technologies related to the cannabis and hemp industries. The Company’s shares trade on the TSX Venture Exchange under the symbol “TEST” and on the OTCQB under the symbol “FLURF”. It is headquartered at 7 - 3535 Research Rd NW, Calgary, Alberta, Canada.

The Company resulted from the amalgamation of CannaTest Photonics Ltd. (“CannaTest”) and Snow Eagle Resources Ltd. (“Snow Eagle”) on May 24, 2018. CannaTest was the accounting entity prior to the amalgamation and was incorporated under the Business Corporations Act (Alberta), on January 26, 2017.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2020, the Company had not achieved profitable operations since its inception and had an accumulated deficit of \$11,855,154 (December 31, 2019 - \$10,895,897) and recognized a cash flow deficiency from operations during the three-month period ended March 31, 2020 of \$984,678 (March 31, 2019 – \$1,006,792). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and cash flow deficiency results in a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

At March 31, 2020, the Company had working capital of \$1,884,321 (December 31, 2019 - \$2,794,255).

Management’s view is that the success of the Company is dependent upon the successful development and commercialization of its test equipment, the related test kits and achieving profitable operations.

The condensed interim financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments, if required, could be material.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

These condensed interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These condensed interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with FluroTech’s audited annual financial statements for the period ended December 31, 2019.

These unaudited condensed interim financial statements follow the same accounting policies as outlined in Notes 2 of the audited financial statements for the year ended December 31, 2019.

**FluroTech Ltd.**  
**Notes to the Condensed Interim Financial Statements**  
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The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 2 of the December 31, 2019 audited consolidated financial statements.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2020.

**3. INVENTORY**

As at March 31, 2020, finished goods were \$420,280 and raw materials were \$191,766 (December 31, 2019 - \$446,350 and \$212,425 respectively). Inventory of \$24,079 was recognized in cost of sales for the three months ended March 31, 2020 (2019 - \$Nil).

**4. PROPERTY AND EQUIPMENT**

	Lab equipment	Computer equipment & software	Dies & Molds	Total
<b>Cost</b>				
As at December 31, 2018	196,125	109,810	158,731	464,666
Additions	46,541	10,414	-	56,955
As at December 31, 2019	242,666	120,224	158,731	521,621
Additions	25,449	-	-	25,449
Disposals	-	(3,500)	-	(3,500)
<b>As at March 31, 2020</b>	<b>268,115</b>	<b>116,724</b>	<b>158,731</b>	<b>543,570</b>

	Lab equipment	Computer equipment & software	Dies & Molds	Total
<b>Depreciation</b>				
As at December 31, 2018	27,291	38,566	33,068	98,925
Depreciation	41,257	54,416	79,365	175,038
As at December 31, 2019	68,548	92,982	112,433	273,963
Depreciation	12,133	4,498	19,841	36,472
Disposal	-	(1,264)	-	(1,264)
<b>As at March 31, 2020</b>	<b>80,681</b>	<b>96,216</b>	<b>132,274</b>	<b>309,171</b>

Net book value as at December 31, 2019	174,118	27,242	42,298	247,658
<b>Net book value as at March 31, 2020</b>	<b>187,434</b>	<b>20,508</b>	<b>26,457</b>	<b>234,399</b>

**5. CAPITAL RISK MANAGEMENT**

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust

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its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at March 31, 2020, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## **6. FINANCIAL INSTRUMENTS AND RISK FACTORS**

At March 31, 2020, the Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

### *Fair value hierarchy*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Cash is classified as level 1.

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. All the Company's cash is held at a Canadian Chartered Bank. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

The Company has a GST receivable for \$21,750 (2019 - \$28,127) and trade receivables of \$50,044 (2019 - \$44,319), of which, \$50,044 (2019 - \$25,506) is past due. Subsequent to quarter end, the Company has collected the GST receivable and \$31,650 of the trade receivables.

### *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 with cash. As at March 31, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

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The timing of cash outflows relating to the financial liabilities is outlined in the table below:

	1 year	2-5 years	>5 years	Total
Accounts payable and accrued liabilities	412,422	-	-	412,422
<b>Balance March 31, 2020</b>	<b>412,422</b>	<b>-</b>	<b>-</b>	<b>412,422</b>

*Interest risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. From time to time, the Company holds its cash in fixed rate and variable rate GICs. The interest income on variable rate GICs may fluctuate due to changes in the prime rate, the Company doesn't expect fluctuations to have a material impact on future cash flows. The Company is not exposed to any interest rate risk on its accounts payable and accrued liabilities.

**7. SHARE CAPITAL**

**Authorized:** an unlimited number of voting common shares, no par value  
an unlimited number of preferred shares, no par value

**Shares issued:**

Common Shares	Number of shares	Amount (\$)
<b>Balance December 31, 2018</b>	<b>50,708,588</b>	<b>9,598,695</b>
Warrants exercised (Note 8)	3,565,227	1,623,639
<b>Balance December 31, 2019</b>	<b>54,273,815</b>	<b>11,222,334</b>
<b>Balance March 31, 2020</b>	<b>54,273,815</b>	<b>11,222,334</b>

**Escrowed securities:**

Pursuant to escrow agreements dated May 25, 2018 and dated June 11, 2011, 18,247,976 common shares of the Company were deposited into escrow with respect to the Company's qualifying transaction and RTO. In addition, 375,000 warrants at \$0.20 per share expiring March 20, 2019 and 1,948,000 stock options with exercise prices of \$0.20 per share expiring June 30, 2024, were also subject to the escrow agreement. Under the escrow agreement 1,824,798 of the escrowed common shares were released from escrow on June 8, 2018, the date of the closing of the Company's RTO, and 15% have been or will be released every six months thereafter over a period of 36 months. However, several shareholders have not submitted their letters of transmittal which has resulted in their shares not being released from escrow. As of March 31, 2020, 8,248,257 (December 2019 – 8,248,257) common shares remain in escrow.

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**8. WARRANTS**

Changes in the Company's purchase warrants are as follows:

	Issued with common shares	Broker warrants	Total purchase warrants	Allocated fair market value
<b>Balance December 31, 2018</b>	<b>15,458,723</b>	<b>1,362,791</b>	<b>16,821,514</b>	<b>\$1,752,529</b>
Warrants exercised	(3,140,000)	(425,227)	(3,565,227)	(312,024)
Warrants expired	(3,351,350)	-	(3,351,350)	(279,160)
<b>Balance December 31, 2019</b>	<b>8,967,374</b>	<b>937,564</b>	<b>9,904,938</b>	<b>\$1,161,345</b>
Warrants exercised	(8,911,818)	-	(8,911,818)	(968,592)
<b>Balance March 31, 2020</b>	<b>55,556</b>	<b>937,564</b>	<b>993,120</b>	<b>192,753</b>

Outstanding warrants at March 31, 2020 were as follows:

Range of exercise prices	Warrants	Weighted average prices (\$)	Weighted average years to expiry
\$0.50 - \$0.70	993,120	0.51	0.77
<b>Balance March 31, 2020</b>	<b>993,120</b>	<b>0.51</b>	<b>0.77</b>

**9. OPTIONS**

The following summarizes information about stock options outstanding as at March 31, 2019:

	Number of options issued	Weighted average price (\$)
<b>Balance December 31, 2018</b>	<b>4,616,270</b>	<b>0.30</b>
Options issued	875,000	0.48
Options forfeited	(165,000)	(0.47)
<b>Balance December 31, 2019</b>	<b>5,326,270</b>	<b>0.32</b>
Options forfeited	(140,000)	0.48
<b>Balance March 31, 2020</b>	<b>5,186,270</b>	<b>0.32</b>

In March 2019, the Company issued 425,000 options to employees and consultants of the Company pursuant to the Company's stock option plan. The term for 325,000 of the options is four years and vest pro-rata over 24 months beginning in February 2019 with an exercise price of \$0.51. The Black-Scholes option mode was used to calculate the fair value of the options with a risk-free interest rate of 1.62%, volatility of 98%, forfeiture rate of 4.15% and no dividend yield. The fair market value of the options was \$113,854. The term for 100,000 of the options is one year and vest immediately. The Black-Scholes option mode was used to calculate the fair value of the options with a risk-free interest rate of 1.53%, volatility of 91%, a forfeiture rate of 4.15% and no dividend yield. The fair market value of the options was \$14,505.

In April and May 2019, the Company issued 175,000 options and 125,000 respectively to employees and consultants of the Company pursuant to the Company's stock option plan. The term for 300,000 of the options is four years and vest pro-rata over 24 months from the date of issuance with an exercise price of \$0.45. The Black-Scholes option mode was used to

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calculate the fair value of the options with a risk-free interest rate of 1.50%, volatility of 102%, a forfeiture rate of 4.15% and no dividend yield. The fair market value of the options was \$62,719.

In August 2019, the Company issued 50,000 options to a Director of the Company pursuant to the Company's stock option plan. The term for these options is four years and the options vest pro-rata over 24 months from the date of issuance with an exercise price of \$0.35. The Black-Scholes option mode was used to calculate the fair value of the options with a risk-free interest rate of 1.26%, volatility of 97%, a forfeiture rate of 4.15% and no dividend yield. The fair market value of the options was \$10,542.

In September 2019, the Company issued 100,000 options to employees and consultants of the Company pursuant to the Company's stock option plan. The term for these options is four years and the options vest pro-rata over 24 months from the date of issuance with an exercise price of \$0.45. The Black-Scholes option mode was used to calculate the fair value of the options with a risk-free interest rate of 1.46%, volatility of 97%, a forfeiture rate of 4.15% and no dividend yield. The fair market value of the options was \$19,004.

**10. NET LOSS PER COMMON SHARE**

The calculation of basic and diluted net loss per common share for the three-month period ended March 31, 2020 was based on the loss attributable to common shareholders of \$959,257 and a weighted average number of common shares outstanding of 46,025,558. For the three-month period ended March 31, 2019 the loss attributable to common shareholders was \$843,969 and the weighted average number of common shares outstanding of 37,795,846.

**11. RELATED PARTY TRANSACTIONS**

Share based compensation associated with key management personnel and directors during the three-month period ended March 31, 2020 was \$8,700 (March 31, 2019 - \$59,502).

Cash salaries included in the three-month period ended March 31, 2020 were \$125,612 (March 31, 2019 - \$164,900).

Alberta BioPhotonics ("AB Photonics") is a related corporation to the Company as it owns more than 33% of the outstanding shares of FluroTech.

AB Photonics incurred expenses of \$18,492 (March 31, 2019 - \$19,127) on behalf of the Company during three-month period ended March 31, 2020, of which \$Nil (March 31, 2019 - \$Nil) is included in amounts due to accounts payable.

The amounts due to AB Photonics are unsecured, non-interest bearing, and due on demand.

**12. SUBSEQUENT EVENTS**

Subsequent to March 31, 2020, 55,556 warrants with an average exercise price of \$0.70 expired.