

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended March 31, 2018 and 2017

(expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

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

	March 31, 2018	September 30, 2017
ASSETS		
Current assets		
Cash	\$ 3,896,133	\$ 824,312
Sales tax and other receivable	85,500	116,760
Prepaid expense and deposits	58,658	143,132
	4,040,291	1,084,204
Intangible assets (note 5)	894,626	768,601
Moulds and dies (note 6)	12,988	21,118
Property, plant and equipment (note 4)	216,560	243,896
	\$ 5,164,465	\$ 2,117,819
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 195,162	\$ 298,735
	195,162	298,735
Shareholders' equity (deficit)		
Share capital (note 8)	12,593,706	9,090,738
Warrants (note 8, 9)	1,754,987	690,241
Contributed surplus (note 10)	1,497,668	1,325,064
Accumulated other comprehensive income	18,188	29,871
Accumulated deficit	(10,895,246)	(9,316,830)
	4,969,303	1,819,084
	\$ 5,164,465	\$ 2,117,819

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**COMMITMENTS (Note 15)****SUBSEQUENT EVENTS (Note 16)**

Approved by the Board of Directors

"Michael Collinson"

Director

"Jim Molyneux"

Director

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

Bee Vectoring Technologies International Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

For the three and six months ended March 31, 2018 and March 31, 2017

(expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2018	2017	2018	2017
Expenses				
Office and general (note 14)	\$ 453,379	\$ 395,081	\$ 767,017	\$ 772,299
Investor and public relations	53,828	76,773	226,263	222,742
Sales, advertising and marketing	65,987	30,761	87,694	43,389
Share based payments (note 10)	202,894	103,439	230,129	161,578
Trials, Research and development	106,726	176,657	267,313	306,644
Loss before other items	(882,814)	(782,711)	(1,578,416)	(1,506,652)
Interest and other income	-	910	-	4,377
Net loss	\$ (882,814)	\$ (781,801)	\$ (1,578,416)	\$ (1,502,275)
Weighted average number of common shares outstanding - basic and diluted	62,209,271	48,616,955	60,427,774	48,616,955
Basic and diluted loss per common share (note 11)	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)

	Three months ended March 31,		Six months ended March 31,	
	2018	2017	2018	2017
Net loss	\$ (882,814)	\$ (781,801)	\$ (1,578,416)	\$ (1,502,275)
Other comprehensive income				
Items that may be subsequently reclassified to earnings:				
Exchange differences on translating foreign operations	(14,670)	(10,123)	(11,683)	(10,123)
Comprehensive loss	\$ (897,484)	\$ (791,924)	\$ (1,590,099)	\$ (1,512,398)

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

Bee Vectoring Technologies International Inc.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

For the six months ended March 31, 2018 and March 31, 2017

(expressed in Canadian Dollars)

(unaudited)

	2018	2017
Cash used in operating activities		
Net loss	\$ (1,578,416)	\$ (1,502,275)
Items not affecting cash		
Share based payments	230,129	161,578
Foreign exchange differences	(11,683)	(10,123)
Depreciation and amortization	40,791	41,010
	(1,319,179)	(1,309,810)
Net changes in non-cash working capital items		
Sales tax and other receivables	31,260	(46,665)
Prepaid expenses and deposits	84,474	(82,436)
Accounts payable and accrued liabilities	(103,570)	(23,857)
	(1,307,015)	(1,462,768)
Cash used in investing activities		
Additions to intangibles	(131,353)	(86,286)
Additions to property, plant and equipment		(8,499)
	(131,353)	(94,785)
Cash flow from financing activities		
Subscriptions received in advance	-	50,000
Proceeds from the issue of shares and units	4,575,000	1,150,500
Share issue costs	(139,186)	(52,155)
Proceeds from exercise of options and warrants	74,375	22,165
	4,510,189	1,170,510
Decrease in cash	3,071,821	(387,043)
Cash and cash equivalents, beginning of period	824,312	1,483,506
Cash and cash equivalents, end of period	\$ 3,896,133	\$ 1,096,463

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Bee Vectoring Technologies International Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the six months ended March 31, 2018 and March 31, 2017

(expressed in Canadian Dollars)

	Share Capital				Warrants	Contributed Surplus	Accumulated other Comprehensive Income		Total
	Number of shares	Amount	Advance share subscriptions	Deficit			Income	Deficit	
Balance, October 1, 2016	48,291,811	\$ 7,078,827	\$ -	\$ 666,010	\$ 816,801	\$ -	\$ (6,214,915)	\$ 2,346,723	
Shares and units issued in connection with the private placement	4,602,000	1,150,500	50,000	-	-	-	-	1,200,500	
Share issue costs related to the private placement - cash	-	(52,155)	-	-	-	-	-	(52,155)	
Fair value of warrants issued in connection with the private placement	-	(197,886)	-	197,886	-	-	-	-	
Fair value of finders warrants issued in connection with the private placement	-	(15,583)	-	15,583	-	-	-	-	
Stock based compensation	-	-	-	-	161,578	-	-	161,578	
Shares issued on exercise of warrants	82,260	33,092	-	(10,927)	-	-	-	22,165	
Expired warrants	-	-	-	(291,267)	291,267	-	-	-	
Net loss and comprehensive loss	-	-	-	-	-	(10,123)	(1,502,275)	(1,512,398)	
Balance, March 31, 2017	52,976,071	\$ 7,996,795	\$ 50,000	\$ 577,285	\$ 1,269,646	\$ (10,123)	\$ (7,717,190)	\$ 2,166,413	
Balance, October 1, 2016	58,501,771	\$ 9,090,738	\$ -	\$ 690,241	\$ 1,325,064	\$ 29,871	\$ (9,316,830)	\$ 1,819,084	
Stock based compensation	-	-	-	-	230,129	-	-	230,129	
Shares issued on exercise of options	297,500	131,900	-	-	(57,525)	-	-	74,375	
Shares and units issued in connection with the private placement	18,300,000	4,575,000	-	-	-	-	-	4,575,000	
Share issue costs related to the private placement - cash	-	(139,186)	-	-	-	-	-	(139,186)	
Fair value of warrants issued in connection with the private placement	-	(1,034,756)	-	1,034,756	-	-	-	-	
Fair value of finders warrants issued in connection with the private placement	-	(29,990)	-	29,990	-	-	-	-	
Net loss and comprehensive loss	-	-	-	-	-	(11,683)	(1,578,416)	(1,590,099)	
Balance, March 31, 2018	77,099,271	\$ 12,593,706	\$ -	\$ 1,754,987	\$ 1,497,668	\$ 18,188	\$ (10,895,246)	\$ 4,969,303	

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

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expressed in Canadian dollars)

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 condensed interim consolidated financial statements were approved for issuance by the Board of Directors on May 29, 2018.

Going concern assumption

These condensed interim 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. To date the Company has not obtained its license under the Pest Management Regulatory Agency to sell its BioControl in Canada, and has not generated revenue from operations. During the six months ended March 31, 2018, the Company incurred a net loss of \$1,578,416 (six months ended March 31, 2017 – \$1,502,275), and as of that date, the Company’s deficit was \$10,895,246 (September 30, 2017 – \$9,316,830). At March 31, 2018, the Company has current assets of \$4,040,291 (September 30, 2017 - \$1,084,204) and current liabilities of \$195,162 (September 30, 2017 – \$298,735) resulting in working capital of \$3,845,129 (September 30, 2017 – (\$785,469)).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company’s ability continue as a going concern in the foreseeable future. The condensed interim 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 condensed interim consolidated financial statements.

2. Basis of presentation

a) Statement of compliance

These condensed interim consolidated financial statements are prepared and reported in Canadian dollars and have been prepared in accordance with IFRS applicable to the presentation of interim financial statements and International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as the accounting policies applied in these condensed interim consolidated financial statements are based on IFRS as issued, outstanding and effective on December 31, 2017.

b) Basis of measurement

The condensed interim 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 condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

2. Basis of presentation (continued)

c) Significant accounting estimates and judgments

The preparation of these condensed interim 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 condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The condensed interim consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of such judgments and estimates are pervasive throughout the condensed interim 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. The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. 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 moulds and dies

Significant estimates are made as to the useful lives of moulds and dies, which have been estimated to be five years.

Useful life of property, plant and equipment

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

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, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants.

Judgements

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.

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 Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expressed in Canadian dollars)

2. Basis of presentation (continued)

d) Basis of consolidation

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

The functional currency of the Company and BEE 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 condensed interim consolidated financial statements.

3. Significant accounting policies

The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation and described in Note 3 of the annual consolidated financial statements as at and for the year ended September 30, 2017, with the exception of new and revised standards along with any consequential amendments, effective October 1, 2017. Accordingly, these condensed interim consolidated financial statements for the three and six months ended March 31, 2018 and 2017 should be read together with the annual consolidated financial statements as at and for the year ended September 30, 2017.

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 condensed interim consolidated financial statements are listed below:

IFRS 9, Financial Instruments ("IFRS 9") was updated and re-issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of condensed interim consolidated financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective for period's beginning on or after January 1, 2018.

IFRS 2 Share based payments, the amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date is for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 16 – Leases, effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on-balance sheet for lessees.

The Company is in the process of evaluating the impact that these new policies may have on the condensed interim consolidated financial statements.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expresses in Canadian dollars)

4. Property, plant and equipment

	Equipment	Computer	Office furniture	Site equipment	Leasehold improvements	Telephone Equipment	Total
Cost							
As at September 30, 2016	\$ 6,299	\$ 4,674	\$ 12,467	\$ 340,060	\$ 33,317	\$ 16,280	\$ 413,097
Additions	-	-	-	3,200	5,300	-	8,500
Allowances						-	-
As at September 30, 2017	6,299	4,674	12,467	343,260	38,617	16,280	421,597
Additions	-	-	-	-	-	-	-
As at March 31, 2018	\$ 6,299	\$ 4,674	\$ 12,467	\$ 343,260	\$ 38,617	\$ 16,280	\$ 421,597
Accumulated depreciation							
As at September 30, 2016	\$ 1,195	\$ 1,906	\$ 2,488	\$ 82,392	\$ 18,309	\$ 5,426	\$ 111,716
Additions	315	1,558	1,996	52,174	7,771	2,171	65,985
As at September 30, 2017	1,510	3,464	4,484	134,566	26,080	7,597	177,701
Additions	157	779	798	20,870	3,863	869	27,336
As at March 31, 2018	\$ 1,667	\$ 4,243	\$ 5,282	\$ 155,436	\$ 29,943	\$ 8,466	\$ 205,037
Net book value							
As at September 30, 2017	\$ 4,789	\$ 1,210	\$ 7,983	\$ 208,694	\$ 12,537	\$ 8,683	\$ 243,896
As at March 31, 2018	\$ 4,632	\$ 431	\$ 7,185	\$ 187,824	\$ 8,674	\$ 7,814	\$ 216,560

5. Intangible assets

Intangible assets consist of legal fees incurred towards the registration of various patents as follows:

	Patents
Cost	
As at September 30, 2016	\$ 606,290
Additions	206,355
Write-off of abandoned patents	(33,389)
As at September 30, 2017	779,256
Additions	131,353
Write-off of abandoned patents	-
As at March 31, 2018	\$ 910,609
Accumulated amortization	
As at September 30, 2016	\$ -
Additions	10,655
As at September 30, 2017	10,655
Additions	5,328
As at March 31, 2018	\$ 15,983
Net book value	
As at September 30, 2017	\$ 768,601
As at March 31, 2018	\$ 894,626

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expresses in Canadian dollars)

6. Moulds and dies

Cost	
As at September 30, 2016	\$ 71,576
Additions	9,720
As at September 30, 2017	81,296
Additions	-
As at March 31, 2018	\$ 81,296
Accumulated depreciation	
As at September 30, 2016	\$ 43,918
Additions	16,260
As at September 30, 2017	60,178
Additions	8,130
As at March 31, 2018	\$ 68,308
Net book value	
As at September 30, 2017	\$ 21,118
As at March 31, 2018	\$ 12,988

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 six months ended March 31, 2018 and March 31, 2017:

	2018	2017
CEO fees (i)	\$ 203,145	\$ 139,909
CFO fees (ii)	15,000	15,000
Consulting fees charged by a Chelsian Sales & Service (iii)	36,000	50,625
Consulting fees charged Flueckiger Consulting (iv)	44,081	30,795
Share based payments	114,000	-
	\$ 412,226	\$ 236,329

- (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.
- (iii) Consulting fees charged by Chelsian Sales & Service Inc, a corporation owned by a director, for assisting with day-to-day operations. As at March 31, 2018 \$nil (December 31, 2017 -\$25,593) 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.
- (v) \$9,000 (six months ended March 31, 2017 - \$9,000) was charged by the daughter of a director of the Company for marketing services.
- (vi) The Company employs the son of a director of the Company as project manager. During the six months ended March 31, 2018, the employee earned a salary and benefits of \$42,200 (six months ended March 31, 2017 - \$33,600).

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expresses in Canadian dollars)

8. Share capital

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

	Share capital	Value
Common shares		
Balance September 30, 2016	48,291,811	\$7,078,827
Shares issued in connection with the private placement (i)(ii)(iii)	9,636,000	1,898,759
Share issue costs related to the private placement - cash (i)(ii)(iii)	-	(103,764)
Fair value of finders warrants issued in connection with the private placement (i)(ii)(iii)	-	(31,338)
Common shares issued on exercise of options (vi)	422,500	187,319
Common shares issued on the exercise of warrants (vi)	151,460	60,935
Balance September 30, 2017	58,501,771	\$9,090,738
Common shares issued on the exercise of options (vi)	297,500	131,900
Shares issued in connection with the private placement (iv)(v)	18,300,000	4,575,000
Fair value of warrants issued in connection of the private placement (iv)(v)	-	(1,034,756)
Share issued costs related to the private placement – cash (iv)(v)	-	(139,186)
Fair value of finders warrants issued in connection with the private placement (iv)(v)	-	(29,990)
Balance March 31, 2018	77,099,271	\$12,593,706

- (i) On March 21, 2017, the Company completed the first tranche of a non-brokered private placement (the “Private Placement”). The first tranche closing consisted of the sale and issuance of 4,602,000 Units (“Units”) of the Company at a price of \$0.25 per Unit for gross proceeds of C\$1,150,500, of which \$1,216,127 was allocated to share capital and \$212,373 was allocated to warrants 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\$0.40 per common share until March 21, 2019, subject to the Company's right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds C\$0.65 for a period of 30 consecutive trading days commencing 4 months after the date the Warrants are issued. The Company will be entitled to accelerate the expiry of the Warrants upon notice given by press release and the Warrants will then expire on the fifteenth (15th) business day after the date of the press release unless exercised by the holder prior to such date. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 79%; Interest rate – 0.79%.

The Company paid commissions to finders under the private placement consisting of cash fees of \$52,155 and the issue of 178,800 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of \$0.40 per Share until March 21, 2019. The Finder’s Warrants were valued at \$20,688 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 79%; Interest rate – 0.79%.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
For the three and six months ended March 31, 2018
(expressed in Canadian dollars)

8. Share capital (continued)

(ii) On April 21, 2017, the Company closed the second tranche of the private placement note in (i) (above). In connection with this tranche, the Company issued 1,112,000 Units for gross proceeds of \$278,000, of which \$235,862 was allocated to share capital and \$42,138 was allocated to warrants using the relative fair value method. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 82%; Interest rate – 0.71%. The Company paid an aggregate of \$28,097 and issued 60,720 finders warrants in connection with this tranche. The Finder's Warrants were valued at \$4,999 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 82%; Interest rate – 0.71%.

(iii) On September 19, 2017, the Company closed a non-brokered private placement of 3,922,000 units of the Company at a price of \$0.20 per unit for gross proceeds of C\$784,400, of which \$682,087 was allocated to share capital and \$102,313 was allocated to warrants using the relative fair value method.

Each unit consists of one common share and one half of one common share purchase warrant ("Unit"). 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 September 19, 2019, subject to the Company's right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the TSX Venture Exchange is equal to or exceeds C\$0.50 for a period of 20 consecutive trading days any time after January 20, 2018. The Company will be entitled to accelerate the expiry of the Warrants upon notice given by press release (disseminated through a newswire service in Canada) and the Warrants will then expire on the fifteenth (15th) business day after the date of the press release unless exercised by the holder prior to such date. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 81%; Interest rate – 1.57%.

The Company paid commissions to finders under the private placement consisting of cash fees (and other issue costs) of C\$23,512 and the issue of 89,700 finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of C\$0.35 per common share until September 19, 2019, subject to the acceleration terms as mentioned above. The Finder's Warrants were valued at \$5,651 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 81%; Interest rate – 1.57%.

(iv) 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 \$1,379,160 was allocated to share capital and \$195,840 was allocated to warrants 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 – 88%; Interest rate – 1.90%.

The Company paid commissions to finders under the private placement consisting of cash fees of \$105,600 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 – 88%; Interest rate – 1.90%.

(v) 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 \$2,161,384 was allocated to share capital and \$838,616 was allocated to warrants 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 March 28, 2020. The Warrants were valued using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 88%; Interest rate – 1.90%.

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8. Share capital (continued)

No finders fees were payable on this private placement.

(vi) The following summarizes the options exercised during the six months ended March 31, 2018:

Date	Price	Fair value on date of exercise	Shares issued	Cash proceeds	Fair value
10/27/2017	\$0.25	\$0.33	100,000	\$ 25,000	\$ 19,000
11/02/2017	\$0.25	\$0.31	100,000	25,000	19,000
11/07/2017	\$0.25	\$0.28	50,000	12,500	9,500
11/24/2017	\$0.25	\$0.28	47,500	11,875	9,025
			297,500	\$ 74,375	\$ 56,525

The following summarizes the options exercised during the year ended September 30, 2017.

Date	Price	Fair value on date of exercise	Shares issued	Cash proceeds	Fair value
06/14/2017	\$0.25	\$0.33	20,000	\$ 5,000	\$ 3,867
06/15/2017	\$0.25	\$0.31	200,000	50,000	38,672
06/19/2017	\$0.25	\$0.31	2,500	625	483
07/05/2017	\$0.25	\$0.29	200,000	50,000	38,672
			422,500	\$105,625	\$81,694

(vii) The following summarizes the warrants exercised during the year ended September 30, 2017.

Date	Price	Shares issued	Cash proceeds	Fair value
10/24/2016	\$0.270	80,000	\$21,600	\$10,560
1/21/2017	\$0.250	2,260	565	367
4/24/2017	\$0.270	66,800	18,036	8,818
6/6/2017	\$0.250	2,400	600	390
		151,460	\$40,801	\$20,135

Volatility used in (i), (ii), (iii), (iv) was based on the historical volatility of other comparable listed companies.

9. Warrants

The warrants issued and outstanding as at March 31, 2018 and September 30, 2017 are as follows:

	Number of warrants	Weighted average strike price
Balance, September 30, 2016	5,030,138	\$0.48
Warrants expired	(2,751,678)	\$0.36
Warrants granted (note 8(i)(ii)(iii))	5,147,220	\$0.38
Warrants exercised (note 8(v))	(151,460)	\$0.27
Balance, September 30, 2017	7,274,220	\$0.46
Warrants granted (note (iv)(v))	15,572,400	\$0.34
Balance, March 31, 2018	22,846,620	\$0.38

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9. Warrants (continued)

All warrants issued during the year ended September 30, 2017 and the three months ended March 31, 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. At March 31, 2018, the following warrants were outstanding:

Strike price	Number	Weighted average remaining contractual life (in years)	Expiry date
\$0.25	576,480	0.25	6/30/2018
\$0.80	1,390,492	0.21	6/16/2018
\$0.80	160,028	0.21	6/16/2018
\$0.40	2,479,800	0.97	3/21/2019
\$0.40	616,720	1.05	4/21/2019
\$0.35	2,050,700	1.47	9/19/2019
\$0.30	3,572,400	0.88	2/16/2019
\$0.35	12,000,000	1.99	3/28/2020
	22,846,620	1.72	

10. Stock options

The Company adopted a rolling stock option plan, which authorizes 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. Under the plan, the exercise price of each stock option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

Below is a summary of transactions for the six months ended March 31, 2018 and the year ended September 30, 2017:

Transaction	Date	# Options
Balance September 30, 2016		4,591,600
Granted	10/21/2016	100,000
Granted	12/5/2016	100,000
Granted	4/21/2017	360,000
Expired		(200,000)
Exercised		(422,500)
Balance September 30, 2017		4,529,100
Exercised		(297,500)
Granted	03/01/2018	365,000
Granted	03/28/2018	600,000
Balance March 31, 2018		5,196,600

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10. Stock options (continued)

As at March 31, 2018 the Company had the following stock options outstanding:

Date Issued	# Options	# Exercisable	Value	Exercise Price	Expiry date
6/30/2015	50,000	50,000	6,534	\$ 0.25	6/30/2018
7/6/2015	1,920,000	1,920,000	364,800	\$ 0.25	7/6/2020
8/8/2015	1,600	1,600	371	\$ 0.30	8/8/2020
9/7/2015	100,000	100,000	24,862	\$ 0.31	9/7/2020
11/16/2015	275,000	275,000	91,575	\$ 0.43	11/16/2020
6/23/2016	325,000	325,000	115,050	\$ 0.50	6/23/2021
8/30/2016	1,000,000	395,831	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
03/01/2018	365,000	365,000	69,350	\$ 0.25	3/01/2023
03/28/2018	600,000	600,000	114,000	\$ 0.25	3/28/2023
	5,196,600	4,592,431			

The weighted average expiry date of the options is 4.0 years. The weighted average exercise price of the options is \$0.29.

- (i) On October 21, 2016, the Company issued 100,000 options to a consultant of the Company. These options were valued at \$23,400 using the Black-Scholes option pricing model using the following assumptions: Expected life – 4.85 years; Volatility – 89.31%; Interest rate – 0.62%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.28.
- (ii) On December 5, 2016, 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 – 5 years; Volatility – 89.05%; Interest rate – 1.03%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.24.
- (iii) On April 21, 2017, the Company issued 360,000 options to a consultant of the Company. These options were valued at \$76,680 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 87.97%; Interest rate – 1.00%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.30.
- (iv) On March 1, 2018, the Company issued 365,000 options to consultants of the Company. These options were valued at \$69,350 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 87.97%; Interest rate – 2.10%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.27.
- (v) On March 28, 2018, the Company issued 600,000 options to directors of the Company. These options were valued at \$114,000 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 87.97%; Interest rate – 2.10%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.27.

Volatility was based on the historical volatility of other comparable listed companies.

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11. Loss per share

The warrants and options outstanding were excluded from the computation of diluted loss per share for the three and six months ended March 31, 2018 and March 31, 2017 because their impact was anti-dilutive.

12. Financial instruments

Fair Value

Financial instruments of the Company as at March 31, 2018 and September 30, 2017 consist of cash and cash equivalents and accounts payable and accrued liabilities. There are no significant differences between the carrying amounts of the items reported on the condensed interim 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 exchange risk arises from the changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. The Company's exposure to this risk is insignificant.

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 a large financial institution in Canada, 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 2018 and 2017. At March 31, 2018, the Company has current assets of \$4,040,291 (September 30, 2017 - \$1,084,204) and current liabilities of \$195,162 (September 30, 2017 - \$298,735) resulting in working capital of \$3,845,129 (September 30, 2017 - \$785,469).

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13. 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.

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 March 31, 2018 managed capital was \$4,969,303 (September 30, 2017 - \$1,819,084). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

13. Office and general

	Three months ended March 31,		Six months ended March 31,	
	2018	2017	2018	2017
Accounting and audit	\$ 17,260	\$ 15,779	\$ 30,400	\$ 36,434
Amortization and depreciation	23,060	20,727	40,793	41,012
Consulting	96,720	29,489	124,490	178,433
Insurance	5,894	4,672	12,017	10,211
Legal and regulatory	49,580	42,552	66,533	83,018
Occupancy costs	18,743	35,095	50,937	66,684
Office and general	26,160	39,728	52,910	60,696
Salaries and benefits	154,063	162,725	299,927	218,184
Warehouse supplies	1,326	3,228	3,122	8,142
Transfer agent	18,049	12,774	22,083	17,264
Travel	42,524	28,312	63,804	52,221
	\$ 453,379	\$ 395,081	\$ 767,018	\$ 772,299

14. Commitments

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

Year	Minimum lease payment
2018	\$ 55,064
2019	56,789
2020	58,515
thereafter	<u>4,888</u>
Total	<u>\$ 175,256</u>

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15. Subsequent events

On May 4, 2018, the Company closed a non-brokered private placement of 500,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$125,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of C\$0.35 per common share until May 2, 2020.