

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bee Vectoring Technologies International Inc.

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We have audited the accompanying consolidated financial statements of Bee Vectoring Technologies International Inc. and its subsidiary, which comprise the consolidated statements of financial position as at September 30, 2016 and September 30, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position Bee Vectoring Technologies International Inc. and its subsidiary as at September 30, 2016 and September 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Bee Vectoring Technologies International Inc.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
January 30, 2017
Toronto, Ontario

Bee Vectoring Technologies International Inc.

Consolidated Statements of Financial Position

(expressed in Canadian Dollars)

<i>as at</i>	September 30,	September 30,
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,483,506	\$ 1,590,627
Sales tax and other receivable	46,281	98,730
Prepaid expense and deposits	114,492	163,822
	1,644,279	1,853,179
Intangible assets (<i>note 6</i>)	606,290	356,117
Moulds and dies (<i>note 7</i>)	37,378	42,945
Property, plant and equipment (<i>note 5</i>)	301,381	308,113
	\$ 2,589,328	\$ 2,560,354
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 242,605	\$ 103,198
Due to related parties (<i>note 8</i>)	-	15,144
	242,605	118,342
Shareholders' equity (deficit)		
Share capital (<i>note 9</i>)	7,078,827	4,622,284
Subscriptions received in advance (<i>note 9</i>)	-	351,000
Warrants (<i>note 9, 10</i>)	666,010	447,124
Contributed surplus (<i>note 11</i>)	816,801	625,015
Accumulated deficit	(6,214,915)	(3,603,411)
	2,346,723	2,442,012
	\$ 2,589,328	\$ 2,560,354

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**COMMITMENTS (Note 17)****SUBSEQUENT EVENTS (Note 18)**

Approved by the Board of Directors

"Michael Collinson"

Director

"Jim Molyneux"

Director

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

Bee Vectoring Technologies International Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian Dollars)

	2016	2015
Expenses		
Office and general (note 16)	\$ 1,822,616	\$ 581,357
Interest on debentures	-	5,570
Share based payments (note 11)	227,484	616,427
Research and development	563,948	33,480
Listing expense (note 4)	-	1,756,658
Loss before other income	2,614,048	2,993,492
Other income	2,032	-
Interest income	512	-
Net loss and comprehensive loss	\$ (2,611,504)	\$ (2,993,492)
Weighted average number of common shares outstanding - basic and diluted	45,655,134	14,788,469
Basic and diluted loss per common share (note 12)	\$ (0.06)	\$ (0.20)

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

Bee Vectoring Technologies International Inc.

Consolidated Statements of Cash Flows

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian Dollars)

	2016	2015
Cash flow from operating activities		
Net loss for the period	\$ (2,611,504)	\$ (2,993,492)
Items not affecting cash		
Share based payments	227,484	616,427
Services settled with issuance debenture	-	100,000
Listing expense	-	1,756,658
Depreciation and amortization	82,654	57,649
Interest settled with issuance of common shares	-	5,903
	(2,301,366)	(456,855)
Net changes in non-cash working capital items		
Sales tax and other receivable	52,449	(86,947)
Prepaid expenses and deposits	49,330	(58,522)
Accounts payable and accrued liabilities	139,409	(248,445)
	(2,060,178)	(850,769)
Cash flow from investing activities		
Cash received on acquisition	-	46,656
Additions to moulds and dies	(9,720)	-
Additions to intangibles	(250,173)	(132,852)
Landlord rebate received on leasehold improvements	35,000	-
Additions to property, plant and equipment	(95,635)	(278,735)
	(320,528)	(364,931)
Cash flow from financing activities		
Subscriptions received in advance	-	351,000
(Payment) proceeds of promissory notes	-	(250,000)
Proceeds from the issue of shares and units	2,251,407	2,674,033
Share issue costs	(182,112)	-
Proceeds from exercise of options and warrants	219,436	-
Repayment of advances from related parties	(15,144)	(26,105)
Proceeds from issuance of convertible debentures	-	49,300
	2,273,587	2,798,228
Increase (decrease) in cash	(107,121)	1,582,528
Cash and cash equivalents, beginning of year	1,590,627	8,099
Cash and cash equivalents, end of year	\$ 1,483,506	\$ 1,590,627

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

Bee Vectoring Technologies International Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian Dollars)

	Share Capital		Advance share subscriptions	Warrants	Contributed Surplus	Deficit	Total
	Number of shares	Amount					
Balance, October 1, 2014	14,454,148	\$ 19	\$ -	\$ -	\$ -	\$ (609,919)	\$ (609,900.00)
Consolidation of shares (i)	(8,431,588)	-	-	-	-	-	-
Acquisition of the Company by BEE (note 4)	19,200,000	1,505,641	-	294,666	8,588	-	1,808,895
Shares issued to settle non-interest bearing convertible debentures (note 10)	1,075,000	245,000	-	-	-	-	245,000
Shares issued to settle interest bearing convertible debentures (note 10)	532,360	105,203	-	-	-	-	105,203
Shares issued to settle notes payable (note 9)	1,224,230	244,846	-	-	-	-	244,846
Shares issued in connection with the private placement (note 4)	12,426,200	3,106,550	-	-	-	-	3,106,550
Share issue costs related to the private placement - cash	-	(432,517)	-	-	-	-	(432,517)
Common shares issued as finance fees	320,000	80,000	-	-	-	-	80,000
Common shares issued as finance fees	-	(80,000)	-	-	-	-	(80,000)
Fair value of agent warrants issued in connection with the private placement (note 4)	-	(114,934)	-	114,934	-	-	-
Fair value of finders warrants issued in connection with the private placement (note 4)	-	(37,524)	-	37,524	-	-	-
Stock based compensation (note)	-	-	-	-	616,427	-	616,427
Subscriptions received in advance of private placement	-	-	351,000	-	-	-	351,000
Net Loss	-	-	-	-	-	(2,993,492)	(2,993,492)
Balance, September 30, 2015	40,800,350	\$ 4,622,284	\$ 351,000	\$ 447,124	\$ 625,015	\$ (3,603,411)	\$ 2,442,012
Balance, October 1, 2015	40,800,350	\$ 4,622,284	\$ 351,000	\$ 447,124	\$ 625,015	\$ (3,603,411)	\$ 2,442,012
Shares and units issued in connection with the private placement (note 9)	6,754,560	2,381,932	(351,000)	220,475	-	-	2,251,407
Share issue costs related to the private placement - cash (note 9)	-	(182,112)	-	-	-	-	(182,112)
Fair value of finders warrants issued in connection with the private placement (note 9)	-	(69,401)	-	69,401	-	-	-
Stock based compensation (note 11)	-	-	-	-	227,484	-	227,484
Shares issued on exercise of warrants (note 9)	461,069	191,127	-	(70,990)	-	-	120,137
Shares issued on exercise of options (note 9)	275,832	134,997	-	-	(35,698)	-	99,299
Net loss	-	-	-	-	-	(2,611,504)	(2,611,504)
Balance, September 30, 2016	48,291,811	\$ 7,078,827	\$ -	\$ 666,010	\$ 816,801	\$ (6,214,915)	\$ 2,346,723

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

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(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. Bee Vectoring Technology Inc. (“BEE”), a wholly owned subsidiary of 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.

On June 1, 2015, the Company entered into a share exchange agreement with BEE pursuant to which the Company would acquire all of the issued and outstanding shares of BEE (the “Transaction”) in exchange for 19,200,000 post – consolidated common shares of the Company. Upon completion of the Transaction, BEE became a wholly owned legal subsidiary of Unique Resources Corp. (“Unique”), and Unique changed its name to Bee Vectoring Technologies International Inc. on June 30, 2015. The acquisition was classified as a Reverse Take-over defined in Policy 5.2 by the TSX Venture Exchange Inc. (the “Exchange”). The combined entity continues to carry out the business of BEE as previously constituted.

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

These consolidated financial statements were approved for issuance by the Board of Directors on January 27, 2017.

Going concern assumption

These consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its asset 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 patent to produce Bio Control under the PMRA, and has not generated revenue from operations. During the year ended September 30, 2016, the Company incurred a net loss of \$2,611,504 (2015 – \$2,993,492), and as of that date, the Company’s deficit was \$6,214,915 (September 30, 2015 – \$3,603,411). At September 30, 2016, the Company has current assets of \$1,644,279 (September 30, 2015 - \$1,853,179) and current liabilities of \$242,605 (September 30, 2015 – \$118,342) resulting in working capital of \$1,401,674 (September 30, 2015 – \$1,734,837).

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

2. Basis of presentation

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective September 30, 2016.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

2. Basis of presentation (continued)

b) Basis of measurement

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

c) Significant accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

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

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 (Note 3).

Useful life of property, plant and equipment

Significant estimates are made as to the useful lives of property, plant and equipment (Note 3).

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.

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.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

2. Basis of presentation (continued)

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and those of its wholly-owned legal subsidiary BEE. The Company has accounted for the Transaction as a reverse takeover (note 4), therefore, prior to the Transaction for accounting purposes, BEE, the legal subsidiary, has been treated as the accounting parent company, and Unique, the legal parent has been treated as the accounting subsidiary in these consolidated financial statements.

The financial statements of the accounting subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

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

3. Significant accounting policies

Intangible Assets

The Company has intangible assets consisting of legal costs related to the application of patents. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

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

Moulds and Dies

Moulds and dies are recorded initially at cost and subsequently at cost less accumulated amortization and accumulated impairment losses (if any). Amortization is provided over the expected useful lives of the moulds and dies using the straight line depreciation method. The moulds and dies have an expected useful life of 5 years.

Property, Plant and Equipment

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

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

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

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

Leasehold improvement allowance

Amounts received are recorded as a reduction of prior costs incurred.

Income Taxes

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

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

Share Capital

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

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired principally for the purpose of being resold in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

The Company has classified its cash and cash equivalents as loans and receivables.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities and due to related parties, which are carried at amortized cost.

Impairment of non-financial assets

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

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

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

Stock option plan

The Company has a stock option plan (the "Plan") which is discussed in note 11. The Company uses the fair value-based method of accounting for stock-based compensation arrangements.

Share based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

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

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

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

Foreign currency translation

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

Loss per share

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

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

Accounting Standards Issued But Not Yet Applied

The Company has reviewed changes to accounting standards that become effective in future periods and are assessing the impact of the application on the consolidated financial statements. Standards issued but not yet effective up to the date of issuance of the Company's 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 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.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

3. Significant accounting policies (continued)

IAS 1 “Presentation of Financial Statements Amendments” was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning January 1, 2016.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date is for annual periods beginning January 1, 2016. Earlier application is permitted, but not required.

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.

IAS 7 Statement of Cash Flows, the amendment states that it is required to provide disclosure of information that enables the users of the financial statements to evaluate the changes in liabilities arising from financing activities, whether changes relating to cash flows or changes not relating to cash flows. The amendment shall be applied by way of prospective application for annual reporting periods beginning on January 1, 2017 or thereafter. Early adoption 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.

4. Reverse Takeover

Effective June 30, 2015, Unique acquired 100% of the issued and outstanding common shares of BEE in exchange for 19,200,000 post-consolidated common shares of the Company. The resulting post-reverse takeover and post-concurrent financing issued outstanding common shares amounted to 40,800,350; (i) Unique shareholders 6,022,560 common shares; (ii) BEE shareholders 22,031,590 common shares; and (iii) other shareholders 12,746,200 common shares. As a result of this share issuance, the shareholders of BEE obtained 54% of the post-consolidation common shares of Unique and, consequently, control of Unique.

Upon closing of the Transaction, among other things the Company:

- Issued 12,426,200 common shares in a \$3,106,550 private placement
- Issued 320,000 common shares as a finance fee for the private placement
- Issued 1,075,000 common shares to settle \$245,000 non-interest bearing convertible debentures (i)
- Issued 532,360 common shares to settle \$99,300 interest bearing convertible debentures plus accrued interest of \$5,903 (i)
- Issued 1,224,230 common shares to settle a \$244,846 note payable (ii)

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

4. Reverse Takeover (continued)

- (i) As per the terms of the agreements, on June 30, 2015 (the closing date of the Transaction) all of the outstanding non-interest bearing convertible debentures (\$245,000) were converted to 1,075,000 common shares of the Company and all of the outstanding interest-bearing convertible debentures (\$99,300) including \$5,903 of interest were converted to 532,360 common shares of the Company.
- (ii) On September 9, 2013, the Company entered into a letter of intent with CT Developers Ltd., ("CT"), whereby CT was to acquire all of the issued and outstanding shares of the Company at a deemed value of \$8,000,000 in exchange for 32,000,000 common shares of CT (the "Transaction Shares") to be issued at a deemed value of \$0.25 per share. CT is a Capital Pool Company as defined by Policy 2.4 Capital Pool Companies of the TSX Venture Exchange and pursuant to Section 8.5 of the Policy and in connection with the Qualifying Transaction. CT advanced funds in the amounts of \$150,000 and \$100,000 for an aggregate amount of \$250,000 to the Company. The advances were evidenced by two promissory notes, non-interest bearing and whereby the Company agreed to repay CT at the earlier of: (1) following completion of the Qualifying Transaction and (ii) within 30 days following termination of the Qualifying Transaction. The note was repaid in cash on June 30, 2015, following the close of the Transaction.

On October 1, 2013 a promissory note was issued in favour of Chelsian Sales and Marketing Inc. ("Chelsian") for advances made to the Company in the amount of \$236,600, non-interest bearing and due on demand. The Company is related to Chelsian Sales and Marketing Inc. ("Chelsian") by virtue of common control. The note was amended on March 1, 2014 to include additional advances in the amount of \$8,246 for a total of \$244,846 and with terms that should the Company seek listing on the TSX Venture Exchange or the Toronto Stock Exchange or any other stock exchange, the full amount owing is to convert into common shares of the acquiring party at a price per common share equal to a 20% discount of the price of the common shares at the time of such listing by the Company, or the common shares of an affiliated company by way of reverse take-over, amalgamation or other corporate change. These amounts were converted into 1,224,230 common shares of the Company on June 30, 2015, following the close of the Transaction.

The substance of the transaction is a reverse takeover of the non-operating company (Unique) and no goodwill or intangible asset representing the stock exchange listing has been recorded. The transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3. As a result, the Transaction was recorded by the Company as a listing expense which reflects the difference between the fair value of the BEE common shares to the Unique shareholders less the net fair value of the Unique assets acquired. BEE has been identified as the accounting acquirer, and Unique, the legal parent, has been treated as the accounting subsidiary in these consolidated financial statements. As BEE was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Unique's results of operations in the prior year have been included from June 30, 2015, the date of the completion of the Transaction.

The amount assigned to listing expense of \$1,756,658, is the difference between the fair value of the consideration and the net identifiable assets of the Company deemed acquired by BEE and included in the consolidated statement of operations and comprehensive loss.

The fair value of the consideration of the Transaction includes the fair value of 6,022,560 common shares deemed issued to the Company's shareholders, and was estimated to be \$1,505,641 based on the value per share in the Private Placement, that closed concurrently with the closing of the Transaction, the fair value of 2,708,333 warrants issued to the Company's pre-Transaction warrant holders, and the fair value of 375,000 options issued to the Company's pre-Transaction option holders. The fair value of the warrants were estimated to be \$294,666 and was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free rate of 0.49%, an expected volatility of 107%, an expected yield rate of nil and an expected life of one and a half years. The fair value of the options was estimated to be \$8,588 and was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free rate of 0.58%, an expected volatility of 107%, an expected yield rate of nil and an expected life of 90 days.

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

4. Reverse Takeover (continued)

The allocation of the fair value transferred is as follows:

Consideration	
Value of common shares issued	\$ 1,505,641
Value of warrants deemed issued to former warrant holders of Unique	294,666
Value of options deemed issued to former option holders of Unique	8,588
Total fair value of the consideration given up	1,808,895
Net assets acquired	52,237
Reverse takeover listing expense	\$ 1,756,658

The consideration and allocation reflects the best estimates and assumptions of the management of the Company after taking into account all available information.

As a result, the total reverse takeover listing expense amounts to \$1,756,658.

5. Property, plant and equipment

	Equipment	Computer	Furniture	Site equipment	Leasehold improvements	Telephone Equipment	Total
Cost							
As at September 30, 2014	\$ 6,299	\$ 1,352	\$ -	\$ -	\$ -	\$ -	\$ 7,651
Additions	-	-	5,163	260,238	63,130	16,280	344,811
Government grant	-	-	-	-	-	-	-
As at September 30, 2015	6,299	1,352	5,163	260,238	63,130	16,280	352,462
Additions	-	3,322	7,304	79,822	5,187	-	95,635
Landlord rebate	-	-	-	-	(35,000)	-	(35,000)
As at September 30, 2016	\$ 6,299	\$ 4,674	\$ 12,467	\$ 340,060	\$ 33,317	\$ 16,280	\$ 413,097
Accumulated depreciation							
As at September 30, 2014	\$ 565	\$ 451	\$ -	\$ -	\$ -	\$ -	\$ 1,016
Additions	315	451	516	27,952	11,386	2,713	43,333
As at September 30, 2015	880	902	516	27,952	11,386	2,713	44,349
Additions	315	1,004	1,972	54,440	6,923	2,713	67,367
As at September 30, 2016	\$ 1,195	\$ 1,906	\$ 2,488	\$ 82,392	\$ 18,309	\$ 5,426	\$ 111,716
Net book value							
As at September 30, 2015	\$ 5,419	\$ 450	\$ 4,647	\$ 232,286	\$ 51,744	\$ 13,567	\$ 308,113
As at September 30, 2016	\$ 5,104	\$ 2,768	\$ 9,979	\$ 257,668	\$ 15,008	\$ 10,854	\$ 301,381

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

6. Intangible assets

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

	Patents
Cost	
As at September 30, 2014	\$ 223,265
Additions	132,852
As at September 30, 2015	356,117
Additions	250,173
As at September 30, 2016	\$ 606,290

The intangible assets are not yet available for use. As such, these intangibles are not amortized currently.

The Company conducted its annual impairment test as at September 30, 2016 and 2015, and, as a result, no impairment was deemed necessary.

7. Moulds and dies

	Moulds and dies
Cost	
As at September 30, 2014	\$ 71,576
As at September 30, 2015	71,576
Additions	9,720
As at September 30, 2016	\$ 81,296
Accumulated depreciation	
As at September 30, 2014	\$ 14,315
Additions	14,316
As at September 30, 2015	28,631
Additions	15,287
As at September 30, 2016	\$ 43,918
Net book value	
As at September 30, 2015	\$ 42,945
As at September 30, 2016	\$ 37,378

8. Related party balances and transactions

During the year ended September 30, 2016, the Company was charged \$30,000 (plus HST) (2015 – \$7,500), by CFO Advantage Inc., a Company owned by the Chief Financial Officer of the Company, for the services of the Chief Financial Officer.

During the year ended September 30, 2016, the Company repaid a \$15,144 non-interest bearing advance that was due on demand, to a company controlled by a director of the Company.

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

8. Related party balances and transactions (continued)

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 year ended September 30, 2016 and 2015:

	2016	2015
Salary, consulting fees and other short-term benefits	\$ 120,274	\$ 19,375
Share based payments	106,588	301,642
	\$ 226,862	\$ 321,017

During the year ended September 30, 2015, in connection to the Transaction, Chelsian Sales and Marketing Inc., a company controlled by the CEO of the Company, received 1,224,230 common shares of the Company. The shares were received on conversion of a note payable (note 4).

9. Share capital

Authorized

Unlimited number of common shares without par value

Issued and outstanding

	Share capital	Value
Common shares		
Balance September 30, 2014	14,454,148	\$ 19
Consolidation of shares	(8,431,588)	-
Shares issued on RTO (note 4)	19,200,000	1,505,641
Shares issued to settle non-interest bearing convertible debentures (note 4)	1,075,000	245,000
Shares issued to settle interest bearing convertible debentures (note 4)	532,360	105,203
Shares issued to settle notes payable (note 4)	1,224,230	244,846
Shares issued in connection with the private placement (i)	12,426,200	3,106,550
Share issue costs related to the private placement - cash	-	(432,517)
Common shares issued as finance fees (i)	320,000	80,000
Common shares issued as finance fees (i)	-	(80,000)
Fair value of agent warrants issued in connection with the private placement (note i)	-	(114,934)
Fair value of finders warrants issued in connection with the private placement (note i)	-	(37,524)
Balance September 30, 2015	40,800,350	4,622,284
Shares issued in connection with the private placement (ii)	3,973,575	1,072,865
Share issue costs related to the private placement - cash (ii)	-	(85,344)
Fair value of finders warrants issued in connection with the private placement (ii)	-	(38,676)
Shares issued in connection with the private placement (iii)	2,780,985	1,529,542
Share issue costs related to the private placement - cash (iii)	-	(96,768)
Fair value of finders warrants issued in connection with the private placement (iii)	-	(30,725)
Fair value of warrants issued in connection with the private placement (iii)	-	(220,475)
Common shares issued on the exercise of warrants (iv)	461,069	191,127
Common shares issued on the exercise of options (v)	275,832	134,997
Balance September 30, 2016	48,291,811	\$ 7,078,827

- (i) In conjunction with the Transaction and prior to the completion of the Transaction, the Company completed a private placement (the "Private Placement") of 12,426,200 subscription receipts (the "Subscription Receipts") with Canaccord Genuity Corp. acting as agent (the "Agent") for gross proceeds of \$3,106,550. On completion of the escrow release conditions set out in the subscription receipt agreement entered into among the Company, BEE, the Agent, and Equity Financial Services Inc. dated June 30, 2015, each Subscription Receipt was automatically exchanged for one post-consolidation common share of the Company resulting in the issuance of 12,426,200 post consolidated common shares.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

9. Share capital (continued)

In connection with the Private Placement, the Company paid the Agent cash commissions and fees of \$374,717, issued the Agent and its selling group 708,160 Agent's warrants ("Agent's Warrants"), and issued the Agent 320,000 common shares with a value of \$80,000 in respect of corporate finance fees. Each Agent's Warrant entitles the holder to purchase one (1) common share at a price of \$0.25 for a period of three years from the date of issuance. Additionally, the Company paid cash commissions to finders of \$57,800 and issued finders 231,200 finder's warrants with each finders warrant having the same terms as the Agent's Warrants. The Agent Warrants were valued at \$114,934 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 107%; Interest rate – 0.59%. The Finder's Warrants were valued at \$37,524 using the Black-Scholes option pricing model with the same assumptions as the Agent Warrants.

Immediately prior to the completion of the Transaction, the Company consolidated its common shares, options and warrants on the basis one (1) post-consolidation common share, option or warrant for each 2.4 pre-consolidation common shares, options or warrants.

- (ii) The Company completed a non-brokered private placement in two tranches (October 22, 2015 and November 5, 2015) through the sale and issuance of 3,973,575 common shares of the Company at a price of \$0.27 per Share for gross proceeds of \$1,072,865 (the "Offering"). \$351,000 of proceeds were received prior to September 30, 2015, and recorded as subscriptions received in advance. The Company paid commissions to finders under the Offering consisting of cash fees of \$85,344 and the issue of 293,000 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of \$0.27 per Share until April 22, 2017. The Finder's Warrants were valued at \$38,676 using the Black-Scholes option pricing model using the following assumptions: Term – 1.5 years; Volatility – 107%; Interest rate – 0.52%.
- (iii) On June 16, 2016, the Company completed a non-brokered private placement of 2,780,985 units of the Company at a price of \$0.55 per unit for gross proceeds of \$1,529,543. Each unit consisted 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 \$0.80 per common share until June 16, 2018, 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 \$1.20 for a period of 10 consecutive trading days any time after June 16, 2017. 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 at \$220,475 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 80%; Interest rate – 0.71%.

The Company paid commissions to finders under the Offering consisting of cash fees of \$96,768 and the issue of 160,028 finder's warrants. Each finder's warrant entitles the holder to purchase one Share of the Company at a price of \$0.80 per Share until June 16, 2018. The Finder's Warrants were valued at \$30,725 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 80%; Interest rate – 0.71%.

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

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

9. Share capital (continued)

(iv) The following summarizes the warrants exercised during the year.

Date	Price	Shares issued	Cash proceeds	Fair value
11/4/2015	\$ 0.250	18,600	\$ 4,650	\$ 3,019
11/12/2015	\$ 0.250	25,000	6,250	4,057
1/18/2016	\$ 0.250	19,500	4,875	3,165
1/25/2016	\$ 0.250	125,580	31,395	20,382
1/29/2016	\$ 0.250	19,700	4,925	3,197
2/10/2016	\$ 0.250	4,200	1,050	682
2/10/2016	\$ 0.270	8,000	2,160	1,056
3/21/2016	\$ 0.250	4,200	1,050	682
3/24/2016	\$ 0.270	8,000	2,160	1,056
4/21/2016	\$ 0.250	9,355	2,339	1,518
5/3/2016	\$ 0.270	37,600	10,152	4,963
5/3/2016	\$ 0.360	20,833	7,500	2,267
5/6/2016	\$ 0.250	5,700	1,425	925
5/6/2016	\$ 0.270	8,000	2,160	1,056
5/11/2016	\$ 0.250	1,800	450	292
5/18/2016	\$ 0.250	33,920	8,480	5,505
6/6/2016	\$ 0.250	20,000	5,000	3,246
6/20/2016	\$ 0.270	8,000	2,160	1,056
6/20/2016	\$ 0.250	37,665	9,416	6,113
7/5/2016	\$ 0.250	10,000	2,500	1,623
7/5/2016	\$ 0.250	5,000	1,250	811
7/20/2016	\$ 0.250	18,000	4,500	2,921
7/20/2016	\$ 0.270	2,000	540	264
9/8/2016	\$ 0.360	10,416	3,750	1,133
		461,069	\$ 120,137	\$ 70,990

(v) On June 30, 2016, the Company issued 275,832 common shares as a result of the exercise of 275,832 stock options. The cash proceeds from the option exercises were \$99,299 and the grant date fair value of \$35,698 recorded a contributed surplus was transferred to common share upon exercise.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015
(expressed in Canadian dollars)

10. Warrants

The exercise price, expiry date, and fair value assigned to the warrants issued and outstanding as at September 30, 2016 and September 30, 2015 are as follows:

	Number of warrants	Weighted average strike price
Balance September 30, 2014	-	
Deemed issued in connection with the Transaction (note 4)	2,708,327	\$ 0.36
Agent warrants issued in connection with the private placement (note 9(i))	708,160	\$ 0.25
Finders warrants issued in connection with the private placement (note 9(i))	231,200	\$ 0.25
Balance, September 30, 2015	3,647,687	-
Warrants exercised (note 9(iv))	(461,069)	\$ 0.26
Finders warrants issued in connection with the private placement (note 9(ii))	293,000	\$ 0.27
Warrants issued in connection with the private placement (note 9(iii))	1,390,492	\$ 0.80
Finders warrants issued in connection with the private placement (note 9(iii))	160,028	\$ 0.80
Balance, September 30, 2016	5,030,138	\$ 0.48

In 2016, the weighted average share price on the date of exercise was \$0.49.

All warrants issued during the year ended September 30, 2016 and the year ended September 30, 2015 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 September 30, 2016, the following warrants were outstanding:

Strike price	Number	Weighted average remaining contractual life (in years)	Expiry date
\$ 0.25	349,940	1.75	6/30/2018
\$ 0.25	231,200	1.75	6/30/2018
\$ 0.27	221,400	0.56	4/22/2017
\$ 0.36	2,677,078	0.50	3/30/2017
\$ 0.80	1,390,492	1.71	6/16/2018
\$ 0.80	160,028	1.71	6/16/2018
	5,030,138	1.02	

11. Stock options

On closing of the Transaction, 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.

On June 30, 2015, in connection with the Transaction, the Company had a deemed issuance of 375,000 stock options to former officers and directors of the Company. These options were valued at \$8,588 using the Black-Scholes option pricing model using the following assumptions: Expected life – 90 days; Volatility – 107%; Interest rate – 0.58%; Dividend yield – nil; Forfeiture rate – nil; stock price - \$0.25.

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

11. Stock options (continued)

On June 30, 2015, the Company issued 50,000 options to a public relations consultant upon closing of the Transaction. These options were valued at \$12,200 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107%; Interest rate – 0.59%; Dividend yield – nil; Forfeiture rate – nil; stock price - \$0.25. These options shall vest in equal increments of 12,500 options on each of the dates that are 3, 6, 9, and 12 months following the closing of the Reverse Takeover.

On July 6, 2015, the Company issued 2,840,000 options to officers, directors and consultants of the Company. These options were valued at \$549,142 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107%; Interest rate – 0.83%; Dividend yield – nil; Forfeiture rate – nil; stock price - \$0.25.

On August 8, 2015, the Company issued 1,600 options a consultant of the Company. These options were valued at \$371 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107%; Interest rate – 0.72%; Dividend yield – nil; Forfeiture rate – nil; stock price - \$0.30.

On September 7, 2015, the Company issued 100,000 options to a consultant of the Company. These options were valued at \$24,862 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 107%; Interest rate – 0.81%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.32.

On September 28, 2015, the Company modified terms of 275,833 stock options previously issued to former officers and directors of the Company. The modification extended the expiry date of these options from September 28, 2015 to June 30, 2016. These options were fully vested prior to modification, and had a value of \$0 at time of modification. The modified options were valued at \$35,698 using the Black-Scholes option pricing model using the following assumptions: Expected life – 270 days; Volatility – 107%; Interest rate – 0.52%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.36.

On November 16, 2015, the Company issued 75,000 options to an officer of the Company, and 200,000 options to a director of the Company. These options were valued at \$91,025 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 106.06%; Interest rate – 0.94%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.43.

On June 23, 2016, the Company issued 325,000 options to consultants of the Company. These options were valued at \$115,050 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 96.93%; Interest rate – 0.71%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.49.

On August 30, 2016, the Company issued 1,000,000 options to consultants of the Company. These options were valued at \$310,000 using the Black-Scholes option pricing model using the following assumptions: Expected life – 5 years; Volatility – 96.53%; Interest rate – 1.02%; Dividend yield – nil; Forfeiture rate – nil, stock price - \$0.35.

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

Below is a summary of transaction for the year ended September 30, 2016 and the year ended September 30, 2015:

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

11. Stock options (continued)

Transaction	Date	# Options
Balance September 30, 2014	-	-
Deemed issuance to former officers and directors	6/30/2015	375,000
Expired	9/28/2015	(99,167)
Granted in connection with the Transaction	7/1/2015	50,000
Granted to office and directors	7/6/2015	2,840,000
Granted to a consultant	8/8/2015	1,600
Granted to a consultant	9/7/2015	100,000
Balance September 30, 2015		3,267,433
Granted to an officer and a director	11/16/2015	275,000
Granted to consultants	6/23/2016	325,000
Exercised	6/30/2016	(275,833)
Granted to an officer	8/30/2016	1,000,000
Balance September 30, 2016		4,591,600

The weighted average exercise price of options exercised was \$0.36. The share price on the date of exercise was \$0.44.

As at September 30, 2016 the Company had the following stock options outstanding:

Date Issued	# Options	Value	Exercise Price	Expiry date
6/30/2015	50,000	6,534	\$ 0.25	6/30/2018
7/6/2015	2,840,000	549,142	\$ 0.25	7/6/2020
8/8/2015	1,600	371	\$ 0.30	8/8/2020
9/7/2015	100,000	24,862	\$ 0.31	9/7/2020
11/16/2015	275,000	91,575	\$ 0.43	11/16/2020
6/23/2016	325,000	115,050	\$ 0.50	6/23/2021
8/30/2016	1,000,000	310,000	\$ 0.32	8/30/2026
	4,591,600			

The total number of options exercisable at period end is 3,591,600. The weighted average expiry date of the options is 5.18 years. The weighted average exercise price of the options is \$0.30.

12. Loss per share

The warrants and options outstanding were excluded from the computation of diluted loss per share for the year ended September 30, 2016 and 2015 because their impact was anti-dilutive.

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

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

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

2032	19,756
2033	161,502
2034	162,082
2035	690,009
2036	2,459,497
Total	3,492,846

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

	2016	2015
Loss before income taxes	\$ 2,611,504	\$ 2,993,492
Tax rate	26.5%	26.5%
Calculated income tax recovery	692,049	793,275
Stock based compensation	60,283	163,353
Non-deductible expense and other	41,926	1,164
Non-deductible listing expense	-	465,514
Change in deferred taxes not recognized	589,840	163,244
Income tax expense	\$ -	\$ -

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

	2016	2015
Deferred income tax assets		
Non-capital loss carry forwards	\$ 925,604	\$ 273,837
Property and equipment	(19,291)	19,340
Intangible assets	(26,660)	-
Share issue costs	144,339	140,975
Legal fees included in CEC pool	66,581	66,581
	1,090,573	500,733
Less: Deferred taxes not recognized	(1,090,573)	(500,733)
	\$ -	\$ -

BEE VECTORING TECHNOLOGIES INTERNATIONAL INC.

Notes to Consolidated Financial Statements

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

14. Financial instruments

Fair Value

Financial instruments of the Company as at September 30, 2016 and 2015 consist of cash, accounts payable and accrued liabilities and due to related parties. There are no significant differences between the carrying amounts of the items reported on the consolidated statements of financial position and their estimated fair values because of the short-term maturities of these items.

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

Market risk

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

Foreign currency risk

Foreign 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 minimal.

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 2016 and 2015. At September 30, 2016, the Company has current assets of \$1,644,279 (September 30, 2015 - \$1,853,179) and current liabilities of \$242,605 (September 30, 2015 - \$118,342) resulting in working capital of \$1,401,674 (September 30, 2015 - \$1,734,837).

15. Capital management

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

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

For the years ended September 30, 2016 and September 30, 2015

(expressed in Canadian dollars)

15. Capital management (continued)

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

As at September 30, 2016, managed capital was \$2,346,723 (2015 - \$2,442,012). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. Office and general

	2016	2015
Accounting and audit	\$ 47,392	\$ 77,890
Amortization and depreciation	82,657	57,649
Consulting	362,229	91,186
Insurance	14,633	11,193
Investor and public relations	230,831	9,000
Legal	165,082	173,020
Occupancy costs	86,844	(7,983)
Office and general	133,480	43,754
Salaries and benefits	283,139	17,029
Sales, advertising and marketing	199,286	48,376
warehouse supplies	12,669	9,511
Transfer agent	41,540	19,192
Travel	162,834	31,540
	\$ 1,822,616	\$ 581,357

17. Commitments

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

Year	Minimum lease payment
2017	\$ 53,483
2018	\$ 55,064
2019	\$ 56,789
2020	\$ 58,515
thereafter	\$ 4,888

18. Subsequent events

Subsequent to the year-end a total of 82,260 warrants were exercised for proceeds of \$22,165.

On December 7, 2016, 100,000 stock options were granted, exercisable at a price of \$0.24 per share for a period of five years from date of grant.