PREFERRED DENTAL TECHNOLOGIES INC.
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2017 AND 2016
(Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Preferred Dental Technologies Inc.

We have audited the accompanying consolidated financial statements of Preferred Dental Technologies Inc. which comprise the consolidated statement of financial position as at July 31, 2017, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the year then ended, and the related notes comprising 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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 of Preferred Dental Technologies Inc. as at July 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Preferred Dental Technologies Inc. to continue as a going concern.

Other Matter
The consolidated financial statements of Preferred Dental Technologies Inc. for the year ended July 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2017.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
November 28, 2017

PREFERRED DENTAL TECHNOLOGIES INC.
Consolidated Statements of Financial Position
As at July 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	$	$
ASSETS		
Current assets		
Cash	83,479	22,701
Amounts receivable	5,045	-
Prepaid expenses	1,405	1,405
Inventory (Note 6)	94,158	-
Total current assets	184,087	24,106
Equipment (Note 7)	1,364	-
Intangible assets (Note 8)	1,056,000	1,122,000
Total assets	1,241,451	1,146,106
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	162,203	23,750
Due to related parties (Note 12)	45,021	-
	207,224	23,750
Due to related parties (Note 12)	-	39,771
	207,224	63,521
EQUITY		
Share capital (Note 9)	3,920,063	1,465,463
Subscriptions receivable (Note 9)	(135,000)	-
Warrants (Note 9)	69,787	69,787
Contributed surplus (Note 9)	491,705	-
Deficit	(3,312,328)	(452,665)
Total equity	1,034,227	1,082,585
Total liabilities and equity	1,241,451	1,146,106

Nature and continuance of operations (Note 1)

Commitment (Note 14)

Subsequent events (Note 16)

These consolidated financial statements are authorized for issue by the Board of Directors on November 28, 2017

They are signed on the Company's behalf by:

"Erik Siegmund"
Director

"Camille Pinette"
Director

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

PREFERRED DENTAL TECHNOLOGIES INC.
Consolidated Statements of Comprehensive Loss
For the years ended July 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	$	$
General and administrative expenses		
Advertising and promotion	36,145	5,394
Amortization – equipment	341	-
Amortization – intangible (Note 8)	66,000	198,000
Consulting fees (Notes 9 and 12)	354,657	71,400
Investor relations	40,649	31,694
Listing expenses (Note 5)	1,780,354	-
Office and miscellaneous	75,687	6,355
Professional	30,548	13,738
Rent	23,352	17,176
Research and development, net of government grant	8,814	20,164
Salaries and benefits	42,278	-
Share-based payments (Note 9)	371,515	-
Transfer agent and filing fees	4,616	-
Travel	24,707	2,061
Net loss and comprehensive loss for the year	(2,859,663)	(365,982)
Net loss per share – basic and diluted	(0.06)	(0.00)
Weighted average number of common shares outstanding	48,112,873	44,557,132

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

PREFERRED DENTAL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
For the years ended July 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	$	$
Cash flows from (used in)		
Operations		
Net loss and comprehensive loss for the year	(2,859,663)	(365,982)
Adjustment for items not involving cash:		
Amortization	66,341	198,000
Listing expenses, net of cash costs	1,740,417	-
Share-based payments	371,515	-
Shares issued for consulting expenses	225,000	-
Shares to be issued for consulting expense	42,500	-
	(413,890)	(167,982)
Changes in non-cash working capital:		
Amounts receivable	238	-
Prepaid expense	-	(1,405)
Inventory	(94,158)	-
Accounts payable and accrued liabilities	94,031	(5,445)
Loan payable	-	(13,047)
Warrants	-	69,787
	(413,779)	(118,092)
Investing activities		
Purchase of equipment	(1,705)	-
Financing activities		
Issuance of common shares, net of share issuance costs	207,600	40,463
Due to related parties	5,250	39,771
Cash acquired on reverse acquisition transaction	263,412	-
	476,262	80,234
Increase in cash	60,778	(37,858)
Cash, beginning of year	22,701	60,559
Cash, end of year	83,479	22,701
Supplemental cash flows information:		
Income taxes paid	$ -	$ -
Interest expense	$ -	$ -
Non-cash transactions:		
Issuance of shares in connection with reverse take over	$ 1,626,000	$ -
Issuance of shares for intangible assets	$ -	$1,320,000

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

PREFERRED DENTAL TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity
As expressed in Canadian dollars

	Common shares			Subscription	Contributed		
	Number	Amount	Warrants	Receivable	Surplus	Deficit	Total
		$	$	$	$	$	$
Balance, July 31, 2015	701,000	105,000	-	-	-	(86,683)	18,317
Issuance of shares for intangible assets (Note 8)	44,000,000	1,320,000	-	-	-	-	1,320,000
Issuance of shares for cash (Note 9)	1,435,000	145,463	69,787	-	-	-	215,250
Net loss for the year	-	-	-	-	-	(365,982)	(365,982)
Balance, July 31, 2016	45,435,001	1,465,463	69,787	-	-	(452,665)	1,082,585
Cancellation of Preferred Dental Implant shares (Note 5)	(45,435,001)	-	-	-	-	-	-
Issuance of shares in exchange for PDIC shares (Note 5)	45,435,001	-	-	-	-	-	-
RTO transactions shares, options and warrants (Note 5)	9,786,667	1,468,000	-	-	77,690	-	1,545,690
Issuance of shares for cash, net of issuance costs (Note 9)	4,075,000	603,600	-	(135,000)	-	-	468,600
Issuance of shares as listing expense (Notes 5 and 9)	80,000	8,000	-	-	-	-	8,000
Issuance of shares as listing expense (Note 5)	1,000,000	150,000	-	-	-	-	150,000
Issuance of shares for consulting fees (Note 9)	1,500,000	225,000	-	-	-	-	225,000
Commitment to issue shares for consulting fees (Note 9)	-	-	-	-	42,500	-	42,500
Share-based payments (Note 9)	-	-	-	-	371,515	-	371,515
Net loss for the year	-	-	-	-	-	(2,859,663)	(2,859,663)
Balance, July 31, 2017	61,876,668	3,920,063	69,787	(135,000)	491,705	(3,312,328)	1,034,227

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Preferred Dental Technologies Inc. (formerly Whitewater Capital Corp.) (the "Company" or "PDTI") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on December 8, 2010 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange"). On June 8, 2017, the Company changed its name from Whitewater Capital Corp. to Preferred Dental Technologies Inc.

On June 8, 2017, the Company completed a transaction with Preferred Dental Implant Corp. ("PDIC") whereby the Company acquired all the issued and outstanding common shares of PDIC as described in Note 5. The historical operations, assets and liabilities of PDIC are included as the comparative figures as at and for the year ended July 31, 2016, which is deemed to be the continuing entity for financial reporting purposes. PDIC was a private company incorporated under the Canada business Corporations Act on August 25, 2014. The principal business of the Company is to advance development and commercialization of various evolutionary and disruptive technologies in the dental implant industry.

The head office, principal address and registered and records office of the Company are located at B01 – 185 Provencher Blvd, Winnipeg, Manitoba, Canada, R2H 0G4.

The consolidated financial statements of the Company for the fiscal year ended July 31, 2017 were authorized for issue in accordance with a resolution of the directors on November 28, 2017.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a foreseeable future. The Company has incurred losses since its inception and had an accumulated deficit of $3,312,328 at July 31, 2017. As at July 31, 2017, the Company had not yet determined whether the development of its technology will reach the commercialization. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. These factors give rise to a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business. Such adjustments could be material.

2. BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements include the assets and operations of the Company and its wholly owned subsidiary PDIC. All significant inter-company balances and transactions have been eliminated upon consolidation. These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

The financial statements are presented in Canadian dollars, which is the Company's and PDIC functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. As at July 31, 2017, the Company only held cash.

(b) Inventory

Inventory, which is comprised of finished goods and raw materials, is valued at the lower of cost and net realizable value. Cost is determined using the standard cost method. Net realizable value is the estimated selling price less applicable selling cost. If the carrying value exceeds net realizable amount, a provision is recognized. The provision may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(c) Intangible assets

Intangible assets include product rights and the licensing rights and these are recorded at cost less accumulated amortization and accumulated impairment losses. Intangible assets have a finite life and are amortized using the straight-line method over their estimated useful lives. The useful lives of the intangible assets are reviewed at least annually. Amortization is recognized on a straight-line basis over the contract term or life of the patent, as applicable.

Product and licensing property rights are amortized over 20 years.

(d) Research and development

Research and development costs, net of government grant and related tax credits, are charged to expense as incurred. Research and development expenses comprise costs incurred in performing research and development activities, including prototypes, materials and professional services provided by contract manufactures.

(e) Equipment

Equipment is recorded at historical cost less accumulated depreciation and accumulated impairment losses. The useful lives of equipment are reviewed at least annually and the amortization is adjusted for prospectively. Amortization is computed using the straight-line method over 5 years.

(f) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment on financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(h) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as financial assets at FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings.

Transactions costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and classified upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and amounts due to related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company does not have any derivative instruments and foreign exchange hedges at this time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(j) Share-based payments

The Company has a stock option plan, which is described in Note 9. The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in share option reserve. When the options are exercised, share capital is credited for the consideration received and the related share option reserve is decreased.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received in the statement of comprehensive loss. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Amounts related to the issuance of shares are recorded as a reduction of share capital.

(k) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

(m) Income taxes

The Company utilizes the asset and liability method of accounting for deferred taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities, and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(n) Recent accounting pronouncements

There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2016 that affected the Company's financial statements.

(o) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Corporation may have been excluded from the list below. The Company is evaluating any impact the standards noted below may have on the Company's financial statements and this assessment has not been completed.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) New accounting standards issued but not yet effective (continued)

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 *Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) 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 amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Significant accounting judgments, estimates and assumptions

Use of estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Significant accounting judgments, estimates and assumptions (continued)

Use of estimates (continued)

Significant accounts that require estimates and judgement as the basis for determining the stated amounts include useful lives of intangible and tangible assets, valuation of share-based payments, impairment and recognition of deferred income tax assets.

(a) Useful lives of intangible and tangible assets

Management estimates the useful lives of intangible assets and equipment based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of technical or commercial obsolescence, generic threats and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated lives of the Company's intangible and tangible assets in the future.

(b) Share-based payments

Compensation costs accrued for share-based payment are subject to the estimation using pricing models such as the Black-Scholes Option Pricing Model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and the expected term of the issued stock options.

(c) Deferred income tax assets and liabilities

Judgment is required in determining whether or not the Company's deferred tax assets are "probable" to be recovered from future taxable income. Management has determined that the recoverability of the Company's deferred tax assets are remote due to the history of losses. We assessed management's judgment and noted that it was reasonable. As a result, no deferred income tax assets have been recognized.

(d) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Significant accounting judgments, estimates and assumptions (continued)

Use of estimates (continued)

(e) Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

5. REVERSE TAKE OVER

On June 8, 2017, the Company acquired 100% ownership of PDIC by issuing 9,786,667 of its common shares, 500,000 stock options and 26,450 share purchase warrants (the "Transaction"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company, prior to the acquisition did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* whereby PDIC is deemed to have issued common shares, stock options and warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration received by PDIC. The accounting for this transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Preferred Dental Technologies Inc., but are considered a continuation of the financial statements of the legal subsidiary, PDIC.

(ii) Since PDIC is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

Since the share and share based consideration allocated to the former shareholders of the Company on closing the Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the common shares, stock options and warrants, the value in excess of the net identifiable assets on closing was expensed in the consolidated statements of comprehensive loss as listing expense.

(Expressed in Canadian dollars)

5. REVERSE TAKE OVER (continued)

Consideration in the amount of $1,743,627 is comprised of the fair value of the common shares, stock options and share purchase warrants of the Company retained by the former shareholders of the Company and legal and transaction costs.

The listing expense is summarized as follows:

Net assets acquired:		
Cash	$	2,412
Other assets		5,283
Accounts payable and accrued liabilities		(44,422)
Net liabilities assumed		36,727
Consideration given		1,743,627
Listing expenses	$	1,780,354
Consideration:		
Common shares deemed to be issued	$	1,468,000
Stock options issued		74,775
Warrants issued		2,915
Finder's fees		150,000
Legal and other transaction costs		47,937
	$	1,743,627

The Company has estimated the fair value of the equity instruments deemed to be issued by the Company. The fair value of the common shares amounted to $1,468,000, based on the concurrent financing value of the Company's common shares at the time of the Transaction of $0.15 per share. The fair value of the stock options amounted to $74,775 and the warrants amount to $2,915. The fair value was estimated using the Black-Scholes pricing model with similar assumptions described in Notes 9(d) and (e).

6. INVENTORY

As at July 31, 2017, inventory of $94,158 is comprised of finished dental supplies.

7. EQUIPMENT

		Cost		Amortization		Net book value
Furniture and equipment	$	1,705	$	341	$	1,364

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

The Company's subsidiary, PDIC, entered into a license agreement with Permatooth Inc. ("PI") whereby PDIC was granted the worldwide exclusive and non-transferrable right and license to manufacture, sell and use apparatus embodying, employing and containing certain technology for custom dental abutment. The license term was extended to July 31, 2017. All other terms and conditions remained the same. As consideration, PDIC agreed to assume PI's liabilities of $23,952 and issued 44,000,000 common shares of PDIC with a fair value of $1,320,000 to PI's shareholders.

Prior to the expiration of the license, PDIC has the option to acquire the exclusive and non-transferrable right to the technology when the common shares of PDIC were listed on any stock exchanges in Canada and pay a nominal transfer fee of $1. As described in Note 5, PDIC completed its listing on the Canadian Stock Exchange on June 8, 2017. In addition, PDIC has paid the nominal transfer fee. As at July 31, 2017, the Company through its subsidiary has acquired all the intellectual property, the exclusive and non-transferrable right to manufacture, sell and use the technology for custom dental abutment.

		2017		2016
Cost:				
Opening balance	$	1,320,000	$	-
Addition		-		1,320,000
		1,320,000		1,320,000
Accumulated amortization:				
Opening balance		198,000		-
Amortization for the year		66,000		198,000
		264,000		198,000
Net book value	**$**	**1,056,000**	**$**	**1,122,000**

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On April 26, 2017, the Company issued 1,500,000 common shares with a fair value of $225,000 for consulting services received.

On April 28, 2017, the Company issued 1,075,000 units at $0.15 per unit for gross proceeds of $161,250, of which $135,000 was received subsequent to the year ended July 31, 2017. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $0.25 per share for 2 years. The Company incurred $4,950 as share issuance costs.

On June 8, 2017, the Company completed a private placement of 3,000,000 units at $0.15 per unit for gross proceeds of $450,000. Each unit is comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at $0.15 per share for 2 years. The Company incurred $2,700 as share issuance costs.

On June 8, 2017, the Company issued 1,000,000 common shares with a fair value of $150,000 as finder's fees in connection with the reverse take over transaction described in Note 5.

On July 10, 2017, the Company issued 80,000 units with fair value of $8,000 for legal services in connection with the reverse take over transaction described in Note 5. Each unit consists of one common share and one warrant. Each warrant is exercisable at $0.25 per share for 1 year.

During the year ended July 31, 2017, the Company is committed to issue 425,000 units with a fair value of $42,500 to the CEO of the Company for consulting services received. Each unit consists of one common share and one warrant. Each warrant is exercisable at $0.25 per share for 2 years. The units were issued subsequent to the year ended July 31, 2017 (Note 16).

On August 1, 2015, the Company issued 44,000,000 common shares with a fair value of $1,320,000, to acquire the intangible assets described in Note 8.

On October 31, 2015, the Company issued 800,000 common shares and 800,000 warrants for gross proceeds of $120,000. Each warrant entitles the holder to purchase one common share of the Company at $0.25 per share for 3 years.

On January 15, 2016, the Company issued 140,000 common shares and 140,000 warrants for gross proceeds of $21,000. Each warrant entitles the holder to purchase one common share of the Company at $0.25 per share for 3 years.

On July 29, 2016, the Company issued 495,000 common shares and 495,000 warrants for gross proceeds of $74,250. Each warrant entitles the holder to purchase one common share of the Company at $0.25 per share for 3 years

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

(c) Escrow shares

As a result of the Company's decision to abandon its application to list on the TSX Venture Exchange as a CPC company, the CPC Escrow Agreement was replaced by a new escrow agreement on January 7, 2015 which requires only the insiders' shares to be escrowed pursuant to national Policy 46-201 "Escrow for Initial Public Offerings". The Company had deposited common shares held by directors and officers and a spouse of a director were placed in escrow. Shares are to be released as follows: 10% on the first day of trading on a Canadian exchange and 15% of the 2,430,000 every 6 months thereafter.

Furthermore, as a result of the acquisition of PDIC, the 9,355,409 common shares held by directors, officers, promoters or greater than 10% shareholders of the Company (other than those holding less than 1% of the outstanding common shares) have been placed into escrow. The escrow shares will be released will be subject to a 36 month escrow period. The Escrowed Securities will be released as follows: 10% released on upon confirmation of re-listing of the common shares on the CSE, and the balance in six equal tranches at six month intervals from the date of listing (which will amount to 15% of the Escrowed Securities being released in each tranche).

As of July 31, 2017, there were 11,293,441 common shares in escrow.

(d) Share options

The Company adopted a rolling 10% Stock Option Plan (the "Plan") on June 22, 2011 which was amended and restated on March 31, 2016 to reflect the plan to apply for a listing on the Canadian Stock Exchange ('CSE').

Under the Plan, the Company can issue up to 10% of the issued and outstanding common shares as incentive stock options to directors, officers, employees and consultants to the Company. The Plan limits the number of stock options which may be granted to any one individual to not more than 5% of the total issued common shares of the Company in any 12 month period. The number of options granted to any one consultant or a person employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued common shares of the Company. As well, stock options granted under the Plan may be subject to vesting provisions as determined by the Board of Directors.

During the year ended July 31, 2017, the Company granted 4,000,000 stock options to its officers and directors of the Company. Options vested on grant date and are exercisable for 5 years at $0.15 per share. The Company recorded a share-based payment of $371,515 in the consolidated statements of comprehensive loss. The weighted average fair value of the 4,000,000 stock options was approximately at $0.09 per share and was estimated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.10
Weighted average risk free interest rate	1.19%
Weighted expected life	5 years
Weighted average expected volatility	168%
Weighted expected dividends	Nil
Forfeiture rate	Nil

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

(d) Share options (continued)

In connection with the acquisition of PDIC (see Note 5), the Company recorded the fair value of $74,775 as listing expense for the 500,000 stock options deemed to be issued. The fair value was estimated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.15
Weighted average risk free interest rate	1%
Weighted expected life	9.25 years
Weighted average expected volatility	190%
Weighted expected dividends	Nil
Forfeiture rate	Nil

As at July 31, 2017, the Company had options outstanding enabling holders to acquire the following:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance, March 31, 2015 and 2016	-	$ -	-
Options deemed to be issued on reverse take-over	500,000	$0.10	8.87
Options granted	4,000,000	$0.15	4.88
Outstanding and exercisable, July 31, 2017	4,500,000	$0.14	5.33

Details of stock options outstanding and exercisable at July 31, 2017 are as follows:

Number of stock options	Exercise Price	Remaining Contractual Life (years)	Expiry Date
500,000	$0.10	8.87	June 10, 2026
4,000,000	$0.15	4.88	June 16, 2022
4,500,000			

Subsequent to year ended July 31, 2017, the 500,000 stock options with exercise price of $0.10 were cancelled.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

e) Warrants

In connection with the acquisition of PDIC (see Note 5), the Company issued 26,450 warrants with exercisable price of $0.10 to certain individuals, with expiry date of March 21, 2018, in exchange for the PDIC warrants.

As the acquisition was considered as a reverse take over transaction (see Note 5), the Company recorded the fair value of $2,915 as listing expense for the 26,450 warrants and was estimated using the Black-Scholes option pricing model with the following assumptions:

Share price	$0.15
Weighted average risk free interest rate	1%
Weighted expected life	1.08 years
Weighted average expected volatility	187%
Weighted expected dividends	Nil
Forfeiture rate	Nil

A summary of the status of the Company's outstanding and exercisable warrants as at July 31, 2017 and the changes during the years are as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining (in years)
Balance, July 31, 2015	-		-
Issued	1,435,000	$0.25	1.85
Balance, July 31, 2016	1,435,000	$0.25	1.85
Issued – private placement	4,075,000	$0.25	1.12
Issued – for services received	80,000	$0.25	0.93
Warrants deemed to be issued on reverse take over	26,450	$0.10	0.64
Balance, July 31, 2017	5,616,450	$0.25	1.30

Details of warrants outstanding and exercisable at July 31, 2017 are as follows:

Number of Warrants	Exercise Price	Remaining Contractual Life (years)	Expiry Date
800,000	$0.25	1.85	June 7, 2019
140,000	$0.25	1.85	June 7, 2019
495,000	$0.25	1.85	June 7, 2019
660,000	$0.25	1.85	June 7, 2019
415,000	$0.25	1.85	June 7, 2019
3,000,000	$0.15	0.85	June 7, 2018
80,000	$0.25	0.93	July 7, 2018
26,450	$0.10	0.64	March 21, 2018
5,616,450			

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. The Company's cash is held with reputable institutions in Canada. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2017, the Company had a cash balance of $83,479 to settle current liabilities of $207,227. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

The Company's financial instruments consist of cash, accounts payable, amounts due to related parties.

The following table summarizes the carrying values of the Company's financial instruments:

	2017	2016
	$	$
FVTPL (i)	83,479	22,701
Other financial liabilities (ii)	201,271	57,521

(i) Cash
(ii) Accounts payable and due to related parties

10. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at July 31, 2017, the Company's cash of $83,479 (2016 - $22,701) is considered to be a Level 1 instrument.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, warrants, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its acquisition plans and operations through its current operating year.

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

		2017		2016
Consulting fees - CEO	$	90,750	$	62,975
Share-based payments	$	371,515	$	-

As at July 31, 2017, the amounts due to related parties of $45,021 (2016 - $39,771) are unsecured, non-interest bearing and repayable on or before 90 days after revenue from sale of product has commenced.

13. INCOME TAXES

The following table reconciles the expected income taxes expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of comprehensive loss for the years ended July 31, 2017 and 2016:

	2017	2016
Loss before income taxes	$ 2,859,663	$ 365,982
Income tax at statutory rate (2017 - 27%, 2016 -27%)	772,109	98,815
Non-deductible items for tax purposes and other items	(530,098)	-
Deferred tax asset not recognized	(242,011)	(98,815)
Total income tax (recovery) expense	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at July 31, 2017 and 2016 are comprised of the following:

		2017		2016
Non-capital loss carry forwards	$	291,422	$	121,873
Share issuance costs		8,535		-
Cumulative eligible capital and others		35,260		328
Mineral properties		28,995		-
Deferred tax asset not recognized		(364,212)		(122,201)
Net deferred tax assets (liabilities)	$	-	$	-

(Expressed in Canadian dollars)

13. INCOME TAXES (CONTINUED)

The Company has non-capital loss carry forwards of approximately $1,081,401 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2035	$ 85,400
2036	365,981
2037	630,020
Total	$ 1,081,401

14. COMMITMENT

On September 3, 2015, the Company entered into a rental agreement for the corporate office. The lease commenced on October 1, 2015 and expires on September 30, 2020. The Company is required to make a monthly lease payment of $730 plus operating costs, which is estimated to be $578.

The minimum annual office lease payments for the years ended July 31:

2018	$ 15,696
2019	15,696
2020	15,696
2021	2,616
Total	$ 49,704

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

16. SUBSEQUENT EVENTS

(a) On August 4, 2017, the Company issued 425,000 units of the Company at a price of $0.10 per unit to settle $42,500 of the consulting fees due to the CEO of the Company. Each unit comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase a common share at a price of $0.25 per share until August 7, 2018. The common shares and any shares issued from the warrants are subject to a hold period expiring on December 9, 2017.

(b) On November 16, 2017, the Company issued a convertible loan agreement with a director of the Company for $52,000. The loan is unsecured, bears interest rate at 8% per annum and is repayable on November 15, 2019. At the option of the lender, the loan is convertible at $0.065 per unit for 800,000 units on or before the repayment date. Each unit is comprised of one common share and one purchase warrant with exercise price of $0.25 for one year.

(c) On November 21, 2017, the Company settled an account payable of $15,000 by issuing 125,000 units at a price of $0.12 per unit. Each unit is comprised of one common share and one purchase warrant with an exercise price of $0.25 per share for one year.