Avivagen Inc.

Unaudited Consolidated Interim Financial Statements

31 July 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated interim financial statements of Avivagen, Inc. (the "Corporation" or "Avivagen") have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these interim consolidated financial statements.

Management's Statement of Responsibility

The unaudited consolidated financial statements of Avivagen Inc. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those which it deems most appropriate in the circumstances in order to ensure that the unaudited consolidated interim financial statements are presented fairly, in all material respects, in accordance with IFRS.

The board of directors of the Corporation ensures that management fulfills its responsibilities for financial reporting and internal control through an audit committee. This committee meets periodically with management and the external auditor to discuss internal controls, auditing matters, and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The committee reviews the financial statements and reports to the Board of Directors. The external auditor has full and direct access to the audit committee.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, the disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 will result in additional risks to the quality, reliability, transparency and timeliness of annual and interim filings and other reports provided under securities legislation.

In contrast to the certification required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. In particular, the Interim CEO and CFO filing these financial statements are not making any representations relating to the establishment and maintenance of:

i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and/or reported within the time periods specified in securities legislation; and

ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS reporting.

APPROVED BY

(Signed)

Kym Anthony   Interim CEO

(Signed)

Chris Boland   CFO (CPA, CA, CMA)

Unaudited Consolidated Interim Statement of Comprehensive Income (Loss)
For the periods ending (Canadian dollars)

	Note	3 months ending July 31, 2017	3 months ending July 31, 2016	9 months ending July 31, 2017	9 months ending July 31, 2016
Revenue					
Chemistry Products	**3(c), 6**	$ 17,651	$ 54,458	$ 74,761	$ 121,328
OxC-beta Products	**3(c), 6**	144,217	-	189,007	4,522
Total Revenue		$ 161,868	$ 54,458	$ 263,768	$ 125,850
Cost of products sold	**12**	41,587	-	56,120	614
Gross Margin		**120,281**	**54,458**	**207,648**	**125,236**
Selling, general and administration	**19**	1,050,895	552,012	3,181,028	1,366,564
Research and development	**19**	292,380	289,283	632,410	612,578
Depreciation of equipment		-	3,003	-	11,726
Interest on long-term debt	**10**	39,967	38,126	117,176	104,682
Amortization of transaction costs on long-term debt	**10**	5,443	5,443	16,329	16,329
Total expenses		**1,388,685**	**887,867**	**3,946,943**	**2,111,879**
Income (loss) before income taxes		**(1,268,404)**	**(833,409)**	**(3,739,295)**	**(1,986,643)**
Income Taxes					
Current and deferred income tax expense	**3(d), 7**	-	-	-	-
Total comprehensive income (loss) for the period		**(1,268,404)**	**(833,409)**	**(3,739,295)**	**(1,986,643)**
Profit (loss) per Share, Basic and Diluted[1]	**8**	**$ (0.04)**	**$ (0.04)**	**$ (0.13)**	**$ (0.10)**
Weighted Average Common Shares Issued and Outstanding Basic and Diluted[1]	**8**	29,114,211	23,581,652	29,980,743	20,985,864

Note 1: As outlined in Notes 1 and 23, the Corporation consolidated its common shares on 12 May 2017. These figures reflect the post-consolidation loss per share and post-consolidation weighted average common shares outstanding in the period.

Unaudited Consolidated Interim Statement of Financial Position

Balance as at (Canadian dollars)

	Note	July 31, 2017 (Unaudited)	October 31, 2016 (Audited)
Assets			
Current Assets			
Cash and cash equivalents		2,691,899	5,142,401
Trade and other accounts receivable	13	107,321	40,732
Prepaid expenses	14	169,383	10,562
Inventories	12	26,136	2,500
Total Current Assets		**2,994,739**	**5,196,195**
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payables and accrued liabilities	18	440,546	480,271
Research and development repayable funding	9	18,901	1,055
Long-term debt	10	77,187	147,129
Total Current Liabilities		**536,634**	**628,455**
Non-current Liabilities			
Research and development repayable funding	9	3,350,677	3,369,518
Long-term debt	10	892,440	797,694
Total Non-current Liabilities		**4,243,117**	**4,167,212**
Total Liabilities		**4,779,751**	**4,795,667**
Shareholders' Equity			
Share Capital	15	19,898,350	18,119,041
Contributed surplus		2,615,293	2,995,099
Accumulated deficit		(24,298,655)	(20,713,612)
Total Shareholders' Equity		**(1,785,012)**	**400,528**
Total Liabilities and Shareholders' Equity		**2,994,739**	**5,196,195**

Unaudited Consolidated Interim Statement of Changes in Equity

For the periods ending (Canadian dollars)

	Shares Outstanding	Share Capital	Contributed Surplus				Deficit	Total Shareholders Equity
			Warrants	*Stock Options*	*Stock Appreciation Rights*	Total Contributed Surplus		
Note Reference	*1, 23*	*15*	*16*	*17*	*17*			
Balance as at October 31, 2015	**19,666,706**	**$ 12,675,922**	$ 1,774,881	$ 875,814	$ 191,318	**$ 2,842,013**	**$ (18,342,999)**	**$ (2,825,064)**
Profit (loss) for the period							$ (557,200)	$ (557,200)
Issuance of share-based payments				$ 46,310	$ 1,209	$ 47,519		$ 47,519
Issuance of warrants related to long-term debt			$ 130,453			$ 130,453		$ 130,453
Transaction costs associated with long-term debt warrants			$ (11,932)			$ (11,932)		$ (11,932)
Balance as at January 31, 2016	**19,666,706**	**$ 12,675,922**	$ 1,893,402	$ 922,124	$ 192,527	**$ 3,008,053**	**$ (18,900,199)**	**$ (3,216,224)**
						$ -		
Profit (loss) for the period							$ (596,034)	$ (596,034)
Issuance of share-based payments				$ 31,506	$ 618	$ 32,124		$ 32,124
Warrants and options expired in the period				$ (60,070)		$ (60,070)	$ 60,070	$ -
Balance as at April 30, 2016	**19,666,706**	**$ 12,675,922**	$ 1,893,402	$ 893,560	$ 193,145	**$ 2,980,107**	**$ (19,436,163)**	**$ (3,780,134)**
						$ -		
Profit (loss) for the period							$ (833,409)	$ (833,409)
Issuance of share capital in private placement	6,000,000	$ 2,930,233	$ 669,767			$ 669,767		$ 3,600,000
Issuance cost of share capital		$ (412,694)						$ (412,694)
Issuance of agent warrants		$ (146,566)	$ 146,566			$ 146,566		$ -
Exercise of outstanding agent warrants	10,000	$ 9,420	$ (3,420)			$ (3,420)		$ 6,000
Issuance of share-based payments				$ 47,483	$ 110	$ 47,593		$ 47,593
Warrants and options expired in the period			$ (320,440)	$ (19,089)		$ (339,529)	$ 339,529	$ -
Balance as at July 31, 2016	**25,676,706**	**$ 15,056,315**	$ 2,385,875	$ 921,954	$ 193,255	**$ 3,501,084**	**$ (19,930,043)**	**$ (1,372,644)**
						$ -		
Profit (loss) for the period							$ (765,855)	$ (765,855)
Issuance of warrants related to long-term debt			$ 3,070			$ 3,070		$ 3,070
Issuance cost of share capital		$ 3,411						$ 3,411
Exercise of warrants	2,089,800	$ 3,036,935	$ (593,234)			$ (593,234)		$ 2,443,701
Exercise of stock options	22,000	$ 22,380		$ (1,080)		$ (1,080)		$ 21,300
Vesting of share-based payments				$ 67,545		$ 67,545		$ 67,545
Warrants and options expired in the period			$ 16,635	$ 1,079		$ 17,714	$ (17,714)	$ -
Balance as at October 31, 2016	**27,788,506**	**$ 18,119,041**	$ 1,812,346	$ 989,498	$ 193,255	**$ 2,995,099**	**$ (20,713,612)**	**$ 400,528**
Profit (loss) for the period							$ (1,020,180)	$ (1,020,180)
Exercise of warrants	1,276,849	$ 1,674,516	$ (397,345)			$ (397,345)		$ 1,277,171
Exercise of stock options	100	$ 119		$ (54)		$ (54)		$ 65
Vesting of share-based payments				$ 43,816	$ -	$ 43,816		$ 43,816
Warrants and options expired in the period			$ (100,528)			$ (100,528)	$ 100,528	
Balance as at January 31, 2017	**29,065,455**	**$ 19,793,676**	$ 1,314,473	$ 1,033,260	$ 193,255	**$ 2,540,988**	**$ (21,633,264)**	**$ 701,400**
Profit (loss) for the period							$ (1,450,711)	$ (1,450,711)
Exercise of warrants	12,500	$ 19,675	$ (4,675)			$ (4,675)		$ 15,000
Exercise of stock options	-	$ -		$ -		$ -		$ -
Vesting of share-based payments				$ 41,497	$ -	$ 41,497		$ 41,497
Warrants and options expired in the period			$ (41,407)			$ (41,407)	$ 41,407	
Balance as at April 30, 2017	**29,077,955**	**$ 19,813,351**	$ 1,268,391	$ 1,074,757	$ 193,255	**$ 2,536,403**	**$ (23,042,568)**	**$ (692,814)**
Profit (loss) for the period							$ (1,268,404)	$ (1,268,404)
Exercise of warrants	72,060	$ 70,926	$ (14,865)			$ (14,865)		$ 56,061
Exercise of stock options	11,040	$ 14,073		$ (6,020)		$ (6,020)		$ 8,053
Vesting of share-based payments				$ 112,092		$ 112,092		$ 112,092
Warrants and options expired in the period			$ (11,700)	$ (617)		$ (12,317)	$ 12,317	
Balance as at July 31, 2017	**29,161,055**	**$ 19,898,350**	$ 1,241,826	$ 1,180,212	$ 193,255	**$ 2,615,293**	**$ (24,298,655)**	**$ (1,785,012)**

Note: The statement of changes in equity is reflective of a 10:1 share consolidation which was effective 12 May 2017.
Amounts have been adjusted retrospectively for comparative purposes (See Notes 1 and 23).

Unaudited Consolidated Interim Statement of Cash Flows

For the periods ending (Canadian dollars)

	Note	3 months ending July 31, 2017	3 months ending July 31, 2016	9 months ending July 31, 2017	9 months ending July 31, 2016
Cash Flows from (used in) Operating Activities					
Income (loss) from operations		$ (1,268,404)	$ (833,409)	$ (3,739,295)	$ (1,986,643)
Items not affecting cash					
Share-based compensation	17	$ 112,092	$ 47,593	$ 197,405	$ 127,236
Depreciation of equipment		$ -	$ 3,003	$ -	$ 11,726
Changes in non-cash operating working capital items					
Trade and other accounts receivable		$ (49,428)	$ (44,797)	$ (66,589)	$ (27,186)
Prepaid expenses		$ (141,547)	$ 7,675	$ (158,821)	$ (7,982)
Inventories		$ (12,334)	$ (9,715)	$ (23,636)	$ (9,661)
Accounts payable and accrued liabilities		$ (388,256)	$ 328,656	$ (39,725)	$ 282,172
Net effect of foreign exchange rates on cash		$ 20,669	$ 13,399	$ 34,878	$ (611)
Total Cash Flows used in Operations - before interest accrued		**(1,727,208)**	**(487,595)**	**(3,795,783)**	**(1,610,949)**
Non-cash adjustment					
Interest accrued and amortization of transaction fees on long-term debt	10	45,410	43,569	133,505	121,011
Cash Flows used in Operating Activities		**(1,681,798)**	**(444,026)**	**(3,662,278)**	**(1,489,938)**
Cash Flows from Investing Activities		**-**	**-**	**-**	**-**
Cash Flows from (used in) Financing Activities					
Proceeds from research and development repayable funding	9	$ -	$ -	$ -	$ 47,051
Repayment of research and development repayable funding	9	$ (994)	$ (822)	$ (994)	$ (822)
Proceeds from issuance of private placement units	15	$ -	$ 3,600,000	$ -	$ 3,600,000
Share issuance cost	15	$ -	$ (412,694)	$ -	$ (412,694)
Proceeds from long-term debt	10	$ -	$ -	$ -	$ 869,547
Repayment of long-term debt	10	$ (18,245)	$ -	$ (108,701)	$ -
Proceeds from the exercise of share purchase warrants	15, 16	$ 56,061	$ 6,000	$ 1,348,232	$ 6,000
Proceeds from the exercise of stock options	15	$ 8,053	$ -	$ 8,118	$ -
Proceeds from warrants issued with long-term debt	10	$ -	$ -	$ -	$ 130,453
Transaction fees on long-term debt	10	$ -	$ -	$ -	$ (1,252)
Transaction fees on warrants issued with long-term debt	10	$ -	$ -	$ -	$ (11,932)
Cash Flows from Financing Activities		**44,875**	**3,192,484**	**1,246,655**	**4,226,351**
Increase (decrease) in cash during the period		$ (1,636,923)	$ 2,748,458	$ (2,415,623)	$ 2,736,413
Net effect of exchange rate changes on cash		$ (20,669)	$ (13,399)	$ (34,878)	$ 611
Cash and cash equivalents, beginning of period		$ 4,349,492	$ 634,212	$ 5,142,401	$ 632,247
Cash and cash equivalents, end of period		**2,691,900**	**3,369,271**	**2,691,900**	**3,369,271**

There were no investing activities in the reporting periods.

Notes to the Unaudited Consolidated Interim Financial Statements

1. Corporate information

Avivagen, Inc. (the "Corporation" or "Avivagen") is domiciled in Canada and its registered office is 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6.

On 8 May 2017, the Board of Directors approved a 10:1 share consolidation (reverse split) which was effective 12 May 2017. The shareholders approved the consolidation on 11 April 2017. The financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation as required by IAS 10 *Events After the Reporting Period* section 22(f) and IAS 33 *Earnings per Share* section 64-65. IFRS requires all prior periods presented on the financial results to be presented as if the consolidation occurred at the start of the first period presented. These financial statements present these results as post-consolidated and also highlights the differences from the pre-consolidated results.

Due to the share consolidation, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation. The outstanding common share purchase warrants indicated herein reflect the number of common shares which could be issued upon the exercise of the currently outstanding common share purchase warrants.

The Corporation is a life-sciences company that is developing and commercializing products to replace antibiotics in livestock feeds to optimize the health and growth of the animals by supporting the animal's own health defences. The Corporation's unique, proprietary technology, known as OxC-beta™ (fully-oxidized beta-carotene) Technology, is based on Avivagen's discovery of the propensity of the micronutrient β-carotene to naturally undergo oxidation to generate polymeric oxidation products that possess a unique combination of immunological health benefits.

Avivagen has further discovered that the health benefits of the OxC-beta™ Technology afford the Corporation the opportunity to provide its lead product, OxC-beta™ Livestock, as an entirely new and novel, non-drug replacement product for the widespread use of in-feed antibiotics for livestock for growth promotion and disease prevention. The use of antibiotics as growth promoters in the feedstock of cattle, swine and poultry has been banned for over 10 years in Europe and their use has more recently become a source of urgent concern to health authorities, governments and consumers, leading them to demand changes now being supported by leading international food processors, retailers and restaurant chains. The OxC-beta™ Livestock product has completed multiple trials as a non-antibiotic feed additive that successfully optimizes health and productivity in swine and poultry. By enabling the removal of antibiotics from feeds, OxC-beta™ Livestock is expected to reduce the development of antibiotic resistant pathogens that are widely thought to occur as a result of food animal production and can threaten human health.

The observed reductions in incidence of disease in livestock have given rise to one of Avivagen's longer-term goals, which is to access the human supplement, prophylactic or therapeutic markets for OxC-beta™ Technology.

For companion animals, the Corporation has created two branded lines of OxC-beta™ products, Vivamune™ Vital Health[3] Chews and Oximunol™ Chewable Tablets, intended to improve or maintain quality of life in companion animals.

The Corporation also generates modest revenues from sales of chemistry products, such as deuterated analytical standards, to various universities and research centres. Subsequent to the reporting period, it became highly probable that this segment will be discontinued.

2. Basis of preparation and statement of compliance

The unaudited consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, London and the Interpretations of the International Financial Reporting Interpretations Committee and in effect on the date when approved by the Board of Directors. The Board of Directors approved the financial statements on 6 September 2017.

3. Summary of significant accounting policies

(A) Basis of consolidation

The unaudited consolidated interim financial statements comprise the financial statements of the Corporation and its inactive wholly owned subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

(B) Foreign currency translation

The financial statements are presented in Canadian dollars. The functional currency of the parent entity and the subsidiary is the Canadian dollar. Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in

foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(C) Revenue recognition

Revenues are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over (1) the use of the products, (2) the channel, and/or (3) the final price to sell the products, all sales are final, and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Corporation has objective evidence that all criteria for acceptance have been satisfied. All of the Corporation's sales and performance obligations occur as at a point in time. As at the reporting period, there are no unfulfilled performance obligations extending beyond a year. The product is sold without any subsequent pricing adjustment and accordingly there has been no variable consideration assessment. No element of financing is deemed present, as all sales require advance payment, an irrevocable letter of credit, or payment within 30 days. The Corporation's only obligation is to provide an exchange for products under the standard assurance warranty terms and conditions. The warranty requirements, if any, are recognized as a provision under IFRS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. A receivable is recognized when the goods are delivered. This is the point in time that the consideration is unconditional as only the passage of time is required before payment is due. All advance payments, if any, are recorded as a liability called deferred revenue.

(D) Taxes

Current income tax assets and liabilities for the respective and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Corporation operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

(E) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Corporation has an interest-free repayable funding obligation from the Government of Canada Atlantic Canada Opportunities Agency (ACOA). The interest-free portion is treated as a government grant in the period benefited and the accretion is treated as interest expense in the same period.

(F) Financial instruments – initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or fair value through other comprehensive income (FVTOCI) are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the consolidated statements of comprehensive income (loss).

Financial Assets

From 1 November 2015, the Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial Assets at Amortized Cost
Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash-flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near term or for short-term profit taking (held-for-trading).

Financial Assets at Fair Value Through Profit or Loss (FVTPL)
All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the consolidated statements of comprehensive income (loss).

The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial Liabilities
Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss within the consolidated statements of comprehensive income (loss). Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities. Financial liabilities that are not held-for-trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost.

Impairment
The Corporation assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Corporation has applied IFRS 9 retrospectively, but has elected not to restate comparative information as there is no impact on the financial statements of the Corporation from adopting IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation's previous accounting policy which reflects the same measurement of IFRS 9.

The accounting policies were changed effective 1 November 2015 to comply with the full requirements of IFRS 9 as issued by the IASB. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*. The total impact on retained earnings due to classification and measurement of financial instruments as at 1 November 2015 and the date of these financial statements was NIL.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(G) Compound instruments

The component parts of compound instruments (e.g., debt issued with warrants) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without warrants. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date.

The warrants classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. Warrants classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the warrants remain unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the warrants. Transaction costs that relate to the issue of the instruments are allocated to the liability and equity components in proportion to

the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debt using the effective interest method.

(H) Treasury shares

Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income (loss) on the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized within equity in contributed surplus.

(I) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(J) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(K) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options, warrants, and stock appreciation rights (SARs). Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options, warrants, or SARs are used to repurchase common shares at the average market price during the period (refer to Notes 1 and 23).

(L) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(M) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Operating lease payments are recognized as an expense in the statement of comprehensive income (loss) on a straight line basis over the lease term.

(N) Share-based payment

The Corporation accounts for share-based payment options using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date, using the Black-Scholes option valuation model. In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to contributed surplus. Consideration paid on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

(O) Joint arrangement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these unaudited consolidated interim financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the joint venture. When the Corporation's share of losses of a joint venture exceeds the Corporation's interest in that joint venture the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 *Financial Instruments* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Corporation's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with a joint venture of the Corporation, profits and losses resulting from the transactions with the joint venture are recognized in the Corporation's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Corporation.

4. Significant accounting judgments, estimates, and assumptions

The preparation of the financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effects on the amounts recognized in the financial statements.

The financial statements were prepared on a going concern basis and do not include any adjustments to the carrying value and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. The going concern basis assumes that the Corporation will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to obtain the ongoing support of its lenders and investors, obtain profitable operations, generate significant sales and/or raise additional capital.

The Corporation has not obtained profitable operation to date. For the three month period ended 31 July 2017, the Corporation had a net loss from operations of $(1,268,404) (31 July 2016: $(833,409)). For the nine month period ended 31 July 2017, the Corporation had a net loss from operations of $(3,739,295) (31 July 2016: $(1,986,643)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. The accumulated deficit is $(24,298,655) as of 31 July 2017 (31 October 2016: $(20,713,612)).

As at 31 July 2017 if the Corporation settled all liabilities its net asset balance would be negative $1,785,013 (31 October 2016: positive $400,528).

The Corporation has entered into an agreement and has obtained repayable funding with the Atlantic Canada Opportunities Agency ("ACOA"). As at 31 July 2017, $3,369,578 is the undiscounted balance of the repayable funding outstanding. Balances outstanding are repayable over a ten-year period which commenced 30 June 2014. Yearly repayments are equal to 10% of revenues of the prior year from the resulting product. As it is not possible to estimate the repayment terms and the requirement and ability to adhere to the covenants of the agreement, the funding outstanding is being carried at its face value and has not been discounted to its fair value (as required under IFRS 9), as no reliable or relevant measure could be provided. Also, if the covenants of the agreement are violated, the entire obligation becomes payable at its carrying amount. Assuming the Corporation repaid the ACOA obligations consistent with management's and ACOA's estimates, with a discount rate of 16%, the fair value of the repayable funding would be approximately $1,971,483.

Share-based payments are estimated using a Black-Scholes pricing model. This model requires management estimates and assumptions.

The financing charges incurred to obtain the Bloom Burton Health Care Lending Trust long-term credit facility are pro-rated between equity and the debt liability. The financing charge amounts related to the debt are carried on the balance sheet as deferred financing charges and are amortized using the effective interest method over the life of the facility. The outstanding balance of the revolving facility is recorded on the balance sheet at its present value using a 16% discount rate, being the rate management estimates that a market participant would require without the equity component of the facility.

Share consolidation

On 8 May 2017, the Board of Directors approved a 10:1 share consolidation (reverse split) which was effective 12 May 2017. The shareholders approved the consolidation on 11 April 2017. The financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation as required by IAS 10 *Events After the Reporting Period* section 22(f) and IAS 33 *Earnings per Share* section 64-65. IFRS requires all prior periods presented on the financial results to be presented as if the consolidation occurred at the start of the first period presented. These financial statements present these results as post-consolidated and also highlights the differences from the pre-consolidated results.

Due to the share consolidation, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation. The outstanding common share purchase warrants indicated herein reflect the number of common shares which could be issued upon the exercise of the currently outstanding common share purchase warrants.

Joint Venture
The Corporation has a 49% ownership in Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company (the Joint Venture), a company incorporated in China. The Joint Venture will assist in marketing, registering and distributing the Corporation's product in China. Shaanxi Jintai Mining Co. (the Partner) holds a 51% interest and is required to contribute $287,625 (1,530,000 Chinese Yuan Renminbi or RMB). Since the Corporation has 50% representation on the Board of Directors, the Corporation has joint control and must account for the Joint Venture as an associate under the guidance of IAS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*. The arrangement is that the 51% Partner will make all contributions up to $287,625 (1,530,000 RMB). Once the Joint Venture has achieved profitability, equity will be distributed and returned to the Partner until its initial contributions are repaid. Once the Partner's initial contribution has been repaid, the Corporation will begin making equity contributions until $276,345 is funded (1,470,000 RMB). Under IAS 28 *Investments in Associates and Joint Ventures*, there is no equity asset or equity liability recognized on the statement of financial position, as the Corporation has made no contributions to the entity, the Corporation does not share in the current gain or loss of the joint venture on the Joint Venture's statement of comprehensive income (loss) to date, and has received no dividends or distribution. The Corporation has no current obligation to fund the Joint Venture under IAS 28 *Investments in Associates and Joint Ventures* or IAS 37 *Provisions and Contingent Liabilities*. However, the Corporation has a commitment to make contributions up to $276,345 (1,470,000 RMB) and / or transfer sales rights (Option) over the next ten years under certain events. As part of the initial agreement, the Corporation has granted to the Partner an exclusive distribution license to the poultry and swine market in China. The agreement also allows an Option which, if exercised by the Partner, will transfer an exclusive distribution license to the cattle and goat market in China. The Joint Venture's functional currency is assessed as RMB.

5. Standards issued but not yet effective and standards adopted

As at the date the Corporation's board of directors approved the financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation and in certain cases have been early-adopted.

The International Accounting Standards Board issued on 18 May 2017 a new accounting standard called IFRS 17 *Insurance Contracts*. IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts*, which was brought in as an interim Standard in 2004. IFRS 4 *Insurance Contracts* has given entities dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. The Corporation has assessed IFRS 17 *Insurance Contracts* and determined it will have no impact to the financial statements and note disclosure.

The International Accounting Standards Board issued on 13 January 2016 a new accounting standard called IFRS 16 *Leases*. IFRS 16 *Leases* replaces IAS 17 *Leases*. IFRS 16 *Leases* requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 *Leases* is effective 1 January 2019. The Corporation has assessed and determined that there will be an impact to the financial statements when adopted since the Corporation entered into new leases for its facilities on March 31, 2017. The impact would be the present value of the lease commitments disclosed in Note 22. The Corporation expects to adopt the new standard in 2019.

The IASB published an amendment to IAS 12 *Income* Taxes in January 2016 referred to as IAS 12: *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*. The amendment is effective for reporting periods starting on or after 1 January 2017. The Corporation early adopted on 1 November 2016 and there was no impact to the statement of financial position or the statement of comprehensive income.

The IASB has issued the following updates to the Standards, which the Corporation early adopted on 1 November 2015 and for which there was no impact on the statement of financial position, results of operations, or disclosures: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Changes in methods of disposal, IFRS 7 *Financial Instruments: Disclosures*: Servicing contracts, IAS 19 *Employee Benefits*: Discount rate IAS 34 *Interim Financial Reporting*: *Disclosure*.

The IASB issued *Disclosure Initiative*, amendments to IAS 1 *Presentation of Financial Statements* in December 2014 with an effective date of 1 January 2016. The Corporation early adopted the amendments on 1 November 2015. The adoption resulted in reduced disclosures in non-material areas.

The IASB issued *Disclosure Initiative*, amendments to IAS 7 *Statement of Cash Flows* in January 2016 with an effective date of 1 January 2017. The Corporation early adopted the amendments on 1 November 2016. The adoption resulted in no significant changes to the disclosures in the financial statements as the Corporations financing activities are not subject to fair value adjustments, foreign exchange, the result of acquisitions or other adjustments.

As at 1 November 2015, the Corporation early adopted IFRS 9 *Financial Instruments* as issued by the IASB. In accordance with the transitional provisions in IFRS 9 *Revenue from Contracts with Customers* 7.2.15, comparative figures have not been restated. When compared to IAS 39 *Financial Instruments: Recognition and Measurement*, the adoption of IFRS 9 *Financial Instruments* has not resulted in any significant changes to the measurement on the statements of financial position, the statement of comprehensive income (loss), or within the note disclosures.

As at 1 November 2015, the Corporation early adopted IFRS 15 *Revenue from Contracts with Customers* as issued by the IASB. In accordance with the transition provisions in IFRS 15 *Revenue from Contracts with Customers*, the new rules have been adopted retrospectively and comparatives for the prior financial periods and year have not been restated, as there was no difference in the application of IFRS 15 *Revenue from Contracts with Customers* and the prior IAS 11 *Construction Contracts* and IAS 18 *Revenue* and the various IFRIC interpretations.

As at 1 November 2016, the Corporation early adopted *Clarifications to IFRS 15 Revenue from Contracts with Customers.* Issued in April 2016, The *Clarifications to IFRS 15 Revenue from Contracts with Customers* covers principal versus agent considerations, licensing and the nature of the entity's promises, sales-based or usage based royalties and transition provisions. There was no impact to the Corporation's financial statements.

The IASB has issued seven narrow scope amendments between June 2016 to the date of the issue of these financial statements. One amendment, IFRS 2 *Clarification and Measurement of Share-based Payment Transactions*, issued June 2016 and effective for years beginning on or after 1 January 2018, has been early adopted by the Corporation on 1 November 2016 and there was no impact to the statement of financial position or the statement of comprehensive income.

6. Operating segment information

The Corporation's chief operating decision maker, the Interim Chief Executive Officer, monitors the Corporation's operations as two main business segments: (1) products based on OxC-beta™ Technology, and (2) chemistry product sales. Subsequent to the reporting period, it became highly probable that the chemistry segment will be discontinued.

For the three months ended 31 July 2017	**OxC-beta™**	**Chemistry**	**Total**
Revenue	$ 144,217	$ 17,651	$ 161,868
Expenses	$ 1,380,773	$ 49,499	$ 1,430,272
Profit (loss) after taxes	**$ (1,236,556)**	**$ (31,848)**	**$ (1,268,404)**

For the three months ended 31 July 2016	**OxC-beta™**	**Chemistry**	**Total**
Revenue	$ 0	$ 54,458	$ 54,458
Expenses	$ 845,091	$ 42,776	$ 887,867
Profit (loss) after taxes	**$ (845,091)**	**$ 11,682**	**$ (833,409)**

For the nine months ended 31 July 2017	**OxC-beta™**	**Chemistry**	**Total**
Revenue	$ 189,007	$ 74,761	$ 263,768
Expenses	$ 3,858,362	$ 144,701	$ 4,003,063
Profit (loss) after taxes	**$ (3,669,355)**	**$ (69,940)**	**$ (3,739,295)**

For the nine months ended 31 July 2016	**OxC-beta™**	**Chemistry**	**Total**
Revenue	$ 4,522	$ 121,328	$ 125,850
Expenses	$ 1,968,303	$ 144,190	$ 2,112,493
Profit (loss) after taxes	**$ (1,963,781)**	**$ (22,862)**	**$ (1,986,643)**

Chemistry segment expenses include all direct costs and an allocation of various corporate overheads.

All of the Corporation's assets and liabilities are located in Canada. All inventory, ACOA, and long-term debt obligations are for the OxC-beta™ Technology operating segments. $888 (31 October 2016: $10,455) of accounts receivable is associated with the chemistry operating segment. All other assets and liabilities are not separated among the operating segments.

The Corporation determines the geographic location of revenues based on the location of its customers.

	3-month periods ending		**9-month periods ending**	
Sales for periods ending:	**31 July 2017**	**31 July 2016**	**31 July 2017**	**31 July 2016**
Canada	$ 5,446	$ 0	$ 5,446	$ 1,968
United States	10,538	29,279	20,555	65,506
Europe	0	23,209	38,217	24,743
Philippines	134,343	1,970	169,250	33,633
Other	11,541	0	30,300	0
	$ 161,868	**$ 54,458**	**$ 263,768**	**$ 125,850**

The Corporation had significant sales to 1 customer of $134,343 (83% of revenue) in the three-month period ended 31 July 2017 (31 July 2016: $28,386 to two customers or 52% of revenue). The Corporation had significant sales to 1 customers of $169,250 (64% of revenue) in the nine-month period ended 31 July 2017 (31 July 2016: $37,192 to one customer or 30% of revenue).

7. Income taxes

The Corporation has income tax losses for Canadian federal and provincial taxes which may be carried forward to reduce future years' taxable income and expire as follows:

2020[1]	$	25,565
2026		544,416
2027		911,198
2028		437,970
2029		1,364,608
2030		1,920,211
2031		2,832,605
2032		2,049,964
2033		991,422
2034		1,793,236
2035		2,346,575
2036		2,708,722
2037		3,541,891
Indefinite[2]		249,000
	$	**21,717,383**

Note 1: Investment tax credits
Note 2: Unclaimed Canadian federal and provincial research and development expenditures

The Corporation intends to file a Canadian Provincial and Federal research and development tax claim for the current fiscal year. The impact on the results to date are not determinable.

The Corporation has the following deferred income tax assets for the periods ended:

		31 July 2017		**31 October 2016**
Non-capital loss carry-forwards	$	5,682,347	$	4,743,745
Cumulative eligible capital expenditures and PP&E	$	444,631	$	444,631
Scientific R&D tax credits and ITCs	$	72,760	$	72,760
Share issue costs	$	233,768	$	233,768
Total deferred income tax assets	$	6,433,506	$	5,494,904
Impairment allowance of 100%	$	(6,433,506)	$	(5,494,904)
Deferred income tax assets on the statement of financial position	$	0	$	0

	3 months ended				12 months ended
Reconciliation of taxable losses for the periods ended	**31 July 2017**		**31 July 2016**		**31 October 2016**
Profit (loss) before income taxes	$ (1,268,404)	$	(833,409)	$	(2,752,498)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	$ (336,127)	$	(220,853)	$	(729,412)
Non-deductible share-based payments	$ 29,704	$	12,612	$	51,617
Depreciation	$ 0	$	796	$	3,107
Income tax recovery not recognized – impaired	$ 306,423	$	2017,445	$	674,688
Income tax recovery recognized on the statement of comprehensive income	$ 0	$	0	$	0

Reconciliation of taxable losses for the periods ended	9 months ended 31 July 2017	9 months ended 31 July 2016	12 months ended 31 October 2016
Profit (loss) before income taxes	$ (3,739,295)	$ (1,986,643)	$ (2,752,498)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	$ (990,913)	$ (526,460)	$ (729,412)
Non-deductible share-based payments	$ 52,312	$ 33,718	$ 51,617
Depreciation	$ 0	$ 3,107	$ 3,107
Income tax recovery not recognized – impaired	$ 938,601	$ 489,635	$ 674,688
Income tax recovery recognized on the statement of comprehensive income	$ 0	$ 0	$ 0

8. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the period. Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per shares because to do so would have reduced the loss per share (anti-dilutive) as at 31 July 2017 are as noted below (refer to notes 1 and 23).

Due to the share consolidation, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation. The outstanding common share purchase warrants indicated herein reflect the number of common shares which could be issued upon the exercise of the currently outstanding common share purchase warrants.

	Post-consolidation	Pre-consolidation
Stock Appreciation Rights (SARs)	302,424	3,024,242
Options – Share-based payments	2,300,484	23,004,840
Subscriber Warrants	3,938,729	39,387,299
Agent Warrants	263,342	2,633,420
Long-term Debt Warrants	500,000	5,000,000

Post-consolidation:	3 months ended 31 July 2017	3 months ended 31 July 2016
Profit (loss) attributable to equity holders for basic loss	$ (1,268,404)	$ (833,409)
Profit (loss) attributable to equity holders adjusted for dilution	**$ (1,268,404)**	**$ (833,409)**
Weighted average number of common shares for basic profit (loss) per share	29,114,211	23,581,652
Effect of dilution on common shares:	Nil	Nil
Profit (loss) per share (basic and diluted)	**$ (0.04)**	**$ (0.04)**

Post-consolidation:	9 months ended 31 July 2017	9 months ended 31 July 2016
Profit (loss) attributable to equity holders for basic loss	$ (3,739,295)	$ (1,986,643)
Profit (loss) attributable to equity holders adjusted for dilution	**$ (3,739,295)**	**$ (1,986,643)**
Weighted average number of common shares for basic profit (loss) per share	29,980,743	20,985,864
Effect of dilution on common shares:	Nil	Nil
Profit (loss) per share (basic and diluted)	**$ (0.13)**	**$ (0.10)**

The following reflects the pre-consolidation basis:

Pre-consolidation:	3 months ended 31 July 2017	3 months ended 31 July 2016
Profit (loss) attributable to equity holders for basic loss	$ (1,268,404)	$ (833,409)
Profit (loss) attributable to equity holders adjusted for dilution	**$ (1,268,404)**	**$ (833,409)**
Weighted average number of common shares for basic profit (loss) per share	291,142,110	235,816,518
Effect of dilution on common shares:	Nil	Nil
Profit (loss) per share (basic and diluted) *pre-consolidation*	**$ (0.004)**	**$ (0.004)**

Pre-consolidation:	**9 months ended**	
	31 July 2017	**31 July 2016**
Profit (loss) attributable to equity holders for basic loss	$ (3,739,295)	$ (1,986,643)
Profit (loss) attributable to equity holders adjusted for dilution	**$ (3,739,295)**	**$ (1,986,643)**
Weighted average number of common shares for basic profit (loss) per share	299,807,430	209,858,636
Effect of dilution on common shares:	Nil	Nil
Profit (loss) per share (basic and diluted) *pre-consolidation*	**$ (0.013)**	**$ (0.010)**

9. Research and development repayable funding

The Corporation entered into two agreements to obtain repayable funding from ACOA. Under the first agreement, the Corporation drew $2,052,131 of which $16,953 was repaid for a remaining obligation of $2,035,178. Under the second agreement, the Corporation drew $1,334,400 of which $0 was repaid for a remaining obligation of $1,334,400.

Balances outstanding are repayable over a ten-year period, which commenced on 30 June 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. For the year ending 31 October 2016 the total revenues of $161,190 consisted of $150,634 for chemistry products and $10,556 for products based on OxC-beta™ Technology. 10% of $10,556 less a $61 overpayment from the previous period, or $994, was repaid to ACOA on 30 June 2017. The next ACOA repayment is due on 30 June 2018 and is estimated to be $18,901 based on year-to-date OxC-beta product sales of $189,007 as of 31 July 2017.

Repayable as at:	**31 July 2017**	**31 October 2016**
Current portion of repayable funding	$ 18,901	$ 1,055
Non-current portion of repayable funding	$ 3,350,677	$ 3,369,518
Total R&D Repayable Funding	$ 3,369,578	$ 3,370,573

Under the agreements, the Corporation must maintain a minimum shareholders' equity. The Corporation was in compliance with the covenant agreements as at 31 July 2017 and 31 October 2016 and as at the date of issue of these financial statements. Under the terms of the research and development ACOA agreements, no dividends may be paid until the ACOA obligations are fully repaid.

These agreements are interest-free. Under IAS 20 *Government Grants*, interest free loans are considered a grant. The interest free portion under IFRS 9 *Financial Instruments* and IAS 20 *Government Grants* is fair valued and the interest expense is deemed a government grant and an interest expense. The Corporation estimates the risk-adjusted borrowing rate for the financial instrument is approximately 16%. The Corporation recognized the following as interest expense:

	3 months ended 31 July		**9 months ended 31 July**	
For the periods ending	**2017**	**2016**	**2017**	**2016**
Interest expense from ACOA	(134,810)	(134,847)	(404,456)	(404,372)
Government grant from ACOA	134,810	134,847	404,456	404,372
Net expense/grant	**$ 0**	**$ 0**	**$ 0**	**$ 0**

10. Long-term debt

On 30 October 2015, the Corporation entered into an agreement with the Bloom Burton Healthcare Lending Trust (the Trust) for a secured drawdown credit facility of up to $1.8 million. Amounts drawn on the credit facility accrue interest at 12% annually, with 7% repayable each calendar quarter and the remaining 5% accruing to be repaid at maturity. For the first year of the facility, the 7% repayable interest shall be accrued and becomes payable 13 November 2016. The facility matures 13 November 2019, at which time the full principal including all accrued interest becomes payable. The Corporation may prepay amounts outstanding under the facility before the maturity date under the following terms: after the first anniversary of the first drawdown but before the second anniversary, the Corporation must pay an additional 4% of any principal amount prepaid; after the second anniversary of the first drawdown but before the third anniversary, the Corporation must pay an additional 3% of any principal amount prepaid; and after the third anniversary of the first drawdown but before the maturity date, the Corporation must pay an additional 2% of any principal amount prepaid.

In consideration for the credit facility, the Trust has been issued warrants to purchase common shares of the Corporation. Such warrants will vest and become exercisable in amounts proportionate to the amount of the facility which is drawn down. Up to 500,000 warrants (post-consolidation) will vest as the credit facility is drawn down at an exercise price of $1.10 (pre-consolidation: 5,000,000 warrants at $0.11). The warrants will remain exercisable up to the maturity date subject to potential acceleration under TSX.V policies in the event of repayment prior to the maturity.

Under IAS 32, an entity is required to separate a financial instrument that contains a financial liability and an equity component using the residual method. The warrants are considered to be an equity component and the credit facility is considered a financial liability. Therefore, the financial liability is measured at the discount rate that a market participant would require without the equity component. The discount rate was determined to be 16%. Accordingly, as the credit facility is drawn, the financial liability will be recorded at its discounted value of 16% with the difference, being the warrants, accounted for as an equity transaction.

Initial recognition of the facility will be at its fair value at a discount rate of 16%. Subsequent recognition will use the effective interest rate model. Transaction and legal costs associated with the facility in the amount of $99,023 have been offset to equity and long-term debt on a pro-rata basis. The liability's transaction costs will be expensed using the effective interest method up to the maturity date of the facility.

On 13 November 2015, the Corporation drew $1,000,000 from the credit facility and vested 277,778 warrants (pre-consolidation: 2,777,778). The debt was recognized at $866,477 and the equity was recognized at $133,523. The warrants will be charged to the contributed surplus account until such time as the warrants are executed or expired. The remaining $800,000 of the credit facility is available to be drawn up to 29 December 2017.

Balance as at 31 October 2015	**$**	**(85,839)**
Cash drawdown (13 November 2015)	**$**	**1,000,000**
Equity allocation	$	(133,523)
Liability allocation	$	866,477
Interest accrual	$	143,664
Transaction costs	$	(87,091)
Amortization of transaction costs	$	21,773
Balance as at 31 October 2016	$	**944,823**
Interest paid on 13 November 2016	$	(71,827)
Interest accrual	$	38,446
Amortization of transaction costs	$	5,443
Balance as at 31 January 2017	**$**	**916,885**
Interest paid on 13 February 2017	$	(18,627)
Interest accrual	$	38,761
Amortization of transaction costs	$	5,443
Balance as at 30 April 2017	**$**	**942,462**
Interest paid on 13 May 2017	$	(18,245)
Interest accrual	$	39,967
Amortization of transaction costs	$	5,443
Balance as at 31 July 2017	**$**	**969,627**
Current portion of long-term debt	$	77,187
Non-current portion of long-term debt	$	892,440
Balance as at 31 July 2017	**$**	**969,627**

The undiscounted future repayment per fiscal year on the loan with future accrued interest is as follows:

2017	$	19,094
2018	$	78,165
2019	$	82,164
2020	$	1,242,425
Total	**$**	**1,421,848**

11. Fair values

All financial assets and financial liabilities are carried at amortized cost under the business model as required under IFRS 9 *Financial Instruments*. Due to the short-term nature of the current financial assets and liabilities, the carrying value is approximately equal to the fair value and are assessed as a Level 3. The ACOA fair value (Level 3) is explained in Note 9, and the long-term debt approximates its fair value (assessed as a Level 3 as management estimated the discount rate to still be 16%).

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique: Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities; Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; Level 3: techniques which use inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

12. Inventories

	31 July 2017	31 October 2016
Raw materials	$ 0	$ 0
Work in process	$ 19,301	$ 0
Finished goods (at net realizable value)	$ 6,835	$ 2,500
Total inventory	**$ 26,136**	**$ 2,500**

The amount of the inventories recognized as an expense in the three-month period ending 31 July 2017 is $41,587 (31 July 2016: $Nil). Inventory expense in the three-month period ended 31 July 2017 consists of $41,587 in cost of OxC-beta™ Technology product sold. Inventory expense in the three-month period ended 31 July 2016 consisted of $Nil in cost of OxC-beta™ Technology product sold.

The amount of the inventories recognized as an expense in the nine-month period ending 31 July 2017 is $57,248 (31 July 2016: $1,000). Inventory expense in the nine-month period ended 31 July 2017 consists of $56,120 in cost of OxC-beta™ Technology product sold and $1,128 in inventory expensed for marketing purposes. Inventory expense in the nine month period ended 31 July 2016 consisted of $1,000 in cost of OxC-beta™ Technology product sold and $Nil expensed for marketing purposes.

At 31 October 2016, the Corporation impaired an amount of inventory. For the three month period ended 31 July 2017, the Corporation reversed $1,448 of this impairment to account for inventory sold and probable to sell before the expiry date of the product. For the nine-month period ended 31 July 2017, the Corporation reversed $5,286 of the impairment.

13. Trade and other accounts receivable

	31 July 2017	31 October 2016
Trade receivables	$ 5,571	$ 10,455
Receivables from tax authorities (HST input credits)	$ 101,750	$ 30,277
	$ 107,321	**$ 40,732**

Trade receivables are non-interest bearing and are on 30 day terms. As at 31 July 2017, trade and other receivables were not impaired. The ageing analysis of trade receivables is as follows:

			Past due but not impaired (days)		
	Total	**Neither past due nor impaired**	**< 30**	**30-60**	**> 60**
31 July 2017	$5,571	$1,677	$983	$2,911	$0
31 October 2016	$10,455	$7,320	$0	$3,135	$0

14. Prepaid expenses

Prepaid expenses for the period ending 31 July 2017 consists of the following:

	31 July 2017	31 October 2016
Security deposit on leased office and laboratory space	$ 11,536	$ 10,562
Prepaid insurance	30,463	0
Marketing services	77,676	0
Consulting services	9,208	0
Studies and trials	40,500	0
Total prepaid expenses	**$ 169,383**	**$ 10,562**

15. Common Shares

The authorized share capital of the Corporation consists of an unlimited number of voting common shares.

Due to the share consolidation, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation. The outstanding common share purchase warrants indicated herein reflect the number of common shares which could be issued upon the exercise of the currently outstanding common share purchase warrants.

On 1 June 2016, the Corporation completed a private placement of 600,000 units (pre-consolidation: 6,000,000 units) for gross proceeds of $3.6 million. The placement had both brokered and non-brokered components. Each unit consisted of one common share and one half common share purchase warrant for a unit price of $0.60 (pre-consolidation: $0.06). Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of $0.90 for two years (pre-consolidation: $0.09). Related parties participated in the financing in the amount of $112,280.

The common shares had a fair value of $0.70 (pre-consolidation: $0.07) based on the previous 30 days' weighted average price as listed on the TSX.V and the current bid/ask spread and price on 1 June 2016. Based on the gross

proceeds of $3.6 million, the relative fair value of the common shares was $2,930,233 and the investor warrants were assigned a relative fair value of $669,767 for a total of $3.6 million. The Corporation paid agent fees in connection with the transaction in the amount of $225,485.40 and 375,809 agent warrants (pre-consolidation: 3,758,090 agent warrants). These were based on a payment of 7% of the brokered proceeds. The agent warrants were assigned a fair value of $146,566 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for two years at $0.60 (pre-consolidation: $0.06). Legal transaction fees for the private placement were $153,832. TSX filing fees were $18,000.

The Black-Scholes calculation was based on the following assumptions: a stock price of $0.70 (pre-consolidation: $0.07); exercise price for investor warrants $0.90 (pre-consolidation: $0.09), for finder warrants $0.60 (pre-consolidation: $0.06); time to maturity of 2 years; annual risk-free interest rate of 0.59% based on Bank of Canada 2-year benchmark bond yield; and historical 2-year stock volatility of 99%

During the three and nine-month period ending 31 July 2017, certain warrants and stock options were exercised for common shares. The details of the instruments exercised are indicated below:

Post-consolidation

Date of Issue of Original Instrument	Subscriber Warrants	Agent Warrants	Stock Options	Exercise Price	Cash Consideration
23-Nov-2011	435,000	45,000		$ 1.00	$ 480,000
30-Jan-2012	115,600			$ 1.00	$ 115,600
13-Nov-2013	343,570			$ 1.20	$ 412,284
11-Apr-2014	12,500			$ 1.20	$ 15,000
16-Dec-2014		91,857		$ 0.60	$ 55,115
16-Dec-2014	73,761			$ 1.00	$ 73,761
20-Aug-2015			5,308	$ 0.65	$ 3,450
1-Jun-2016	166,666			$ 0.90	$ 150,000
1-Jun-2016		77,454		$ 0.60	$ 46,473
22-Jun-2016			5,833	$ 0.80	$ 4,667
	1,147,097	**214,311**	**11,141**		**$ 1,356,350**

The following reflects the above warrants and options exercised on a pre-consolidation basis:

Pre-consolidation

Date of Issue of Original Instrument	Subscriber Warrants	Agent Warrants	Stock Options	Exercise Price	Cash Consideration
23-Nov-2011	4,350,000	450,000		$ 0.10	$ 480,000
30-Jan-2012	1,156,000			$ 0.10	$ 115,600
13-Nov-2013	3,435,700			$ 0.12	$ 412,284
11-Apr-2014	125,000			$ 0.12	$ 15,000
16-Dec-2014		918,576		$ 0.06	$ 55,115
16-Dec-2014	737,610			$ 0.10	$ 73,761
20-Aug-2015			53,080	$ 0.065	$ 3,450
1-Jun-2016	1,666,667			$ 0.09	$ 150,000
1-Jun-2016		774,544		$ 0.06	$ 46,473
22-Jun-2016			58,330	$ 0.08	$ 4,667
	11,470,977	**2,143,120**	**111,410**		**$ 1,356,350**

16. Warrants

Due to the share consolidation effective 12 May 2017, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation. The outstanding common share purchase warrants indicated herein reflect the number of common shares which could be issued upon the exercise of the currently outstanding common share purchase warrants.

As at 31 July 2017, the Corporation had 4,702,071 warrants outstanding (pre-consolidation: 47,020,719). The details are as follows:

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
16-Dec-2014	1,163,738			3	16-Dec-2017	$ 1.00
30-Oct-2015			500,000	4	13-Nov-2019	$ 1.10
1-Jun-2016	2,774,991			2	1-Jun-2018	$ 0.90
1-Jun-2016		263,342		2	1-Jun-2018	$ 0.60
	3,938,729	**263,342**	**500,000**			

Of the 500,000 long-term debt warrants issued, 277,778 have vested as at 31 July 2017 (pre-consolidation: of the 5,000,000 long-term debt warrants issued, 2,777,778 have vested as at 31 July 2017).

The following reflects the warrants outstanding on a pre-consolidation basis:

Pre-consolidation

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
16-Dec-2014	11,637,382			3	16-Dec-2017	$ 0.10
30-Oct-2015			5,000,000	4	13-Nov-2019	$ 0.11
1-Jun-2016	27,749,917			2	1-Jun-2018	$ 0.09
1-Jun-2016		2,633,420		2	1-Jun-2018	$ 0.06
	39,387,299	**2,633,420**	**5,000,000**			

17. Share-based payments and stock appreciation rights

The Corporation adopted a stock option plan (Option Plan) on 4 August 2005. The Option Plan is administered by the Board of Directors of the Corporation who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one day and three years. Options under the Plan remain exercisable for five years from the date of grant. The option pool was amended on 12 September 2016. As a result, the maximum number of common shares reserved for issuance for options that may be granted under the Option Plan is 2,448,003 (pre-consolidation: 24,480,030). The following table represents options issued, exercised, and expired on a post-consolidation basis.

Post-consolidation	**Total**	**Weighted average exercise price**
Balance Outstanding at 31 October 2015	**1,629,510**	**$ 0.895**
Expired and forfeited Q2 2016	(50,000)	$ 1.00
Granted Q3 2016	331,667	$ 0.80
Expired and forfeited Q3 2016	(66,400)	$ 0.90
Exercised Q4 2016	(2,000)	$ 0.65
Balance Outstanding at 31 October 2016	**1,842,777**	**$ 0.876**
Exercised Q1 2017	(100)	$ 0.65
Balance Outstanding at 31 January 2017	**1,842,677**	**$ 0.876**
Granted Q2 2017	80,000	$ 1.00
Expired and forfeited Q2 2017	(10,417)	$ 0.65
Expired and forfeited Q2 2017	(29,167)	$ 0.80
Balance Outstanding at 30 April 2017	**1,883,093**	**$ 0.884**
Granted Q3 2017	428,433	$ 1.10
Exercised Q3 2017	(5,834)	$ 0.80
Exercised Q3 2017	(5,208)	$ 0.65
Balance Outstanding at 31 July 2017	**2,300,484**	**$ 0.925**

Options exercisable as at:	**Total**	**Weighted average exercise price**
31 July 2017	1,637,777	$ 0.890
31 October 2016	1,409,235	$ 0.907

Exercise price	Options Outstanding	Options Exercisable	Weighted average remaining contractual life in months
$1.00	268,776	268,776	6.3
$1.00	520,000	520,000	7.3
$1.00	100,000	100,000	14.5
$1.00	36,000	36,000	20.1
$0.70	51,667	51,667	6.3
$0.70	220,000	220,000	21.6
$0.90	120,000	120,000	33.6
$0.65	26,042	26,042	6.3
$0.65	152,900	133,625	36.7
$0.80	11,667	11,667	6.3
$0.80	285,000	142,500	46.8
$1.00	80,000	7,500	55.0
$1.10	428,433	-	58.0
	2,300,485	**1,637,777**	

On 22 June 2016, the Corporation granted 331,667 stock options to employees, directors, and consultants (pre-consolidation: 3,316,667). The options will vest over 8 quarters. The stock options were granted pursuant to the terms of the stock option plan and are exercisable at $0.80 per share (pre-consolidation: $0.08). The fair value of the options was determined to be $0.55 (pre-consolidation: $0.055) based on a Black-Scholes calculation using the following assumptions: a stock price of $0.70 (pre-consolidation: $0.07); exercise price of $0.80 (pre-consolidation: $0.08); expected life of 5 years; annual risk-free interest rate of 0.70% based on Bank of Canada 5-year benchmark bond yield; and historical 5-year stock volatility of 114%. Volatility was determined by using the historical volatility of the stock over a 3 to 5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

On 27 February 2017, the Corporation granted 80,000 stock options to employees (pre-consolidation: 800,000). The stock options were granted pursuant to the terms of the stock option plan and are exercisable at $1.00 per share (pre-consolidation: $0.10). The fair value of the options was determined to be $0.76 (pre-consolidation: $0.076) based on a Black-Scholes value using the following assumptions: a stock price of $1.00 (pre-consolidation: $0.10), an exercise price of $1.00 (pre-consolidation: $0.10), expected life of 5 years, annual risk-free interest rate of 1.12% based on Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 102%. Volatility was determined by using the historical volatility of the stock over a 5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. 60,000 of the options will vest over 8 quarters and 20,000 options will vest over three years (pre-consolidation: 600,000 over 8 quarters and 200,000 over three years).

On 30 May 2017, the Corporation granted 428,433 stock options to employees, consultants, and members of the board of directors. The stock options were granted pursuant to the terms of the stock option plan and are exercisable at $1.10 per share. The fair value of the options was determined to be $0.816 based on a Black-Scholes value using the following assumptions: a stock and exercise price of $1.10, expected life of 5 years, annual risk-free interest rate of 0.96% based on the Bank of Canada 5-year benchmark bond yield, and historical 5-year stock volatility of 99.89%. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. The options will vest over 8 quarters.

For the three month period ended 31 July 2017, the Corporation recorded $112,092 (31 July 2016: $47,593) as contributed surplus and compensation expense for the vesting of stock options, which is measured at fair value at the date of grant and is graded and expensed over the option's vesting period. For the nine-month period ended 31 July 2017, the Corporation recorded $197,404 (31 July 2016: $127,236).

On 11 March 2013, the Corporation granted 242,424 stock appreciation rights (SARs) to the then-Chief Executive Officer with an exercise price of $0.825 (pre-consolidation: 2,424,242 SARs exercisable at $0.0825). These SARs expire on 9 February 2018. On 20 May 2014, the Corporation issued 60,000 SARs to the Chairman of the board of directors with an exercise price of $0.70 (pre-consolidation: 600,000 SARs exercisable at $0.07). They expire on 20 May 2019. All SARs issued are fully vested and are redeemable into cash or common shares at the option of the Corporation.

18. Accounts payables and accrued liabilities

For the periods ended	31 July 2017	31 October 2016
Trade payable and accrued liabilities	$ 213,172	$ 151,419
Related parties	25,000	$ 149,667
Staff and board compensation payable	37,374	$ 14,185
Management bonuses payable	165,000	$ 165,000
Total	**$ 440,546**	**$ 480,271**

Trade payables are normally settled on 30-day terms. All other payables are non-interest bearing and are monies due for legal services, key management compensation, and employees' earned vacation pay.

19. Expenses: disclosure of expenses by function

	3 months ending		9 months ending	
For the periods ended:	**31 July 2017**	**31 July 2016**	**31 July 2017**	**31 July 2016**
Selling, general, and administrative				
Salary, wages, and benefits	$ 308,550	$ 203,831	$ 1,052,275	$ 555,788
Professional fees and other	$ 581,784	$ 277,316	$ 1,786,589	$ 633,423
Board fees	$ 48,469	$ 23,272	$ 144,759	$ 50,117
Share-based payment	$ 112,092	$ 47,593	$ 197,405	$ 127,236
Total selling, general, and administrative	**$ 1,050,895**	**$ 552,012**	**$ 3,181,028**	**$ 1,366,564**
Research and development				
Salary, wages, and benefits	$ 134,708	$ 268,609	$ 390,295	$ 465,757
Professional fees and other	$ 157,672	$ 20,674	$ 242,115	$ 146,821
Total research and development	**$ 292,380**	**$ 289,283**	**$ 632,410**	**$ 612,578**

20. Related party disclosures and key management compensation

Avivagen holds investments in its wholly owned inactive subsidiary, incorporated in Canada, and a 49% interest in Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company, a company incorporated in China.

Key management consists of the Chief Executive Officer and the Board of Directors.

	3 months ended		9 months ended	
	31 July 2017	**31 July 2016**	**31 July 2017**	**31 July 2016**
Short term employee benefits	$ 196,439	$ 137,475	$ 590,676	$ 325,225
Long term employee benefits	$ 0	$ 165,000	$ 0	$ 165,000
Termination payment	$ 0	$ 0	$ 303,704	$ 0
Share-based payments	$ 54,490	$ 30,475	$ 97,331	$ 81,943
For the periods ended	**$ 250,929**	**$ 332,950**	**$ 991,711**	**$ 572,168**

For the nine-month period ending 31 July 2017, the Corporation has received consulting services from a legal firm that is a related party, as a director of the Corporation is a partner at the legal firm. Of the $208,378 incurred in the nine-month period, $25,000 is payable as at 31 July 2017.

The Corporation is the ultimate parent entity. The common shares are widely held. Due to holdings held by intermediaries and third parties, the Corporation is not able to provide detailed shareholders' ownership information.

21. Financial risk management objectives and policies

The Corporation's primary risk management objective is to protect the Corporation's balance sheet and cash flow.

The Corporation's principal financial liabilities comprise research and development repayable funding (ACOA), long-term debt, and trade and other payables. The main purpose of these financial liabilities is to raise finances and working capital for the Corporation's operations. The Corporation is exposed to market risk, interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees upon policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk and foreign currency risk.

Interest rate risk

The Corporation's exposure to interest rate risk is nominal considering the R&D repayable funding (ACOA) is subject to 0% interest. The long-term debt is subject to a 12% fixed interest rate and is not subject to exposure to interest rate changes. The Corporation invests surplus cash in bank demand deposits at two different financial

institutions at current rates ranging from 0.01% to 0.78% which, due to their short term nature, do not expose the Corporation to any significant interest rate risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The Corporation is exposed to foreign exchange fluctuations against the Canadian dollar as some of its sales and expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the three month period ended 31 July 2017, the Corporation's foreign exchange losses were $20,669 (31 July 2016: gain of $611). For the nine month period ended 31 July 2017, the Corporation's foreign exchange losses were $27,111 (31 July 2016: loss of $13,122). The US foreign exchange rates were as follows:

For the periods ending:	US to CAD exchange rate
31 July 2016	1.3056
31 October 2016	1.3411
31 January 2017	1.3012
30 April 2017	1.3650
31 July 2017	1.2485

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation provides credit to its customers in the normal course of operations. The Corporation sells its products primarily to large corporations, end users, or educational institutions. The carrying amount of cash, trade and other accounts receivable represents the maximum exposure to credit risk and at 31 July 2017 this amounted to $2,799,220 (31 October 2016 - $5,183,133). The cash and cash equivalents are held by RBC and Echelon Investments on behalf of the Corporation. Since the inception of the Corporation, no losses have been suffered in relation to cash held in the banks. The trade and other receivables consist of $101,750 (31 October 2015: $30,277) in HST input tax credits receivable. No allowance for expected credit losses has been made against the trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. See going concern note in Note 4.

Capital management

The Corporation manages its capital, which consists of cash provided from financing, long-term debt, and research and development repayable funding, with the primary objective being safeguarding sufficient working capital to sustain operations. The board of directors has not established capital benchmarks or other targets. There have been no changes in the Corporation's approach to capital management during the three and nine month period ended 31 July 2017. No changes were made in the objectives, policies, or processes during the three and nine month period ending 31 July 2017. The Corporation continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

22. Commitments, contingencies, guarantees, and collateral

Operating lease commitments – Corporation as lessee

The Corporation is committed under agreements for the rental of office space and equipment at a monthly rate of $10,872 for the 2017 fiscal year. The agreements will expire on 31 March 2020. They may be terminated by either party with nine months' notice. This operating lease, as the lessee, requires rental payments over the life of the lease as follows:

2017	$	32,616
2018	$	132,290
2019	$	135,023
2020	$	56,685
Total	**$**	**356,614**

Guarantees and collateral

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers. The Corporation has pledged all of the assets of the Corporation in connection with the credit facility provided by the Bloom Burton Healthcare Lending Trust.

23. Events after the reporting period

Subsequent to the reporting period, it became highly probable that the Corporation will discontinue its chemistry segment. It is expected to be completed before the next reporting period of 31 October 2017. It is estimated that the termination costs will be $14,853. The impact on the statement of comprehensive income (loss) had the discontinuation occurred early is reflected in Note 6 Operating Segments. As of 31 July 2017, accounts receivable of $5,571 is the only asset related to the segment. The segment has no liabilities as at 31 July 2017.

Additional information relating to the Corporation may be found at www.sedar.com.