Avivagen Inc.

Audited Consolidated Financial Statements

31 October 2017

Management's Statement of Responsibility

The audited 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 audited consolidated financial statements are presented fairly, in all material respects, in accordance with IFRS.

The Board of Directors of Avivagen Inc. 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), Avivagen Inc. 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 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 CEO

(Signed)

Chris Boland CFO (CPA, CA, CMA)

December 19, 2017

Independent Auditor's Report

To the Shareholders of
Avivagen Inc.

We have audited the accompanying consolidated financial statements of Avivagen Inc. and its subsidiary, which comprise the consolidated statements of financial position as at October 31, 2017 and the consolidated statements of operations and comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avivagen Inc. and its subsidiary as at October 31, 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw your attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern.

Restated comparative information
The consolidated financial statements of Avivagen Inc. and its subsidiary for the year ended October 31, 2016 (prior to the restatement of the comparative information described in Note 2) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on December 19, 2016.

As part of our audit of the consolidated financial statements of Avivagen Inc. and its subsidiary for the year ended October 31, 2017, we also audited the adjustments described in Note 23 that were applied to restate the consolidated financial statements for the year ended October 31, 2016 and the balance sheet as at November 1, 2015. In our opinion, such adjustments are appropriate and have been properly applied.

We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Avivagen Inc. and its subsidiary for the year ended October 31, 2016 or the balance sheet as at November 1, 2015 other than with respect to the adjustments described in Note 23, and accordingly, we do not express an opinion or any form of assurance on the consolidated financial statements for the year ended October 31, 2016 or the balance sheet as at November 1, 2015 taken as a whole.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Statements of Comprehensive Loss
For the years ended 31 October 2017 and 2016 (Expressed in Canadian dollars)

	Note	31 October 2017	31 October 2016 Note 23 - Restated
Continuing operations			
Revenues	**3(c), 6**	$ 255,660	$ 10,556
Cost of products sold	**12**	83,182	2,444
Gross margin		**172,478**	**8,112**
Selling, general and administration	**18**	4,159,446	1,886,570
Research and development	**18**	825,185	695,520
Depreciation of equipment		-	11,726
Interest on long-term debt	**10**	157,801	143,664
Interest on research and development repayable funding	**9, 23**	53,919	38,507
Government grant on interest-free loan	**9, 23**	-	(47,051)
Amortization of transaction costs on long-term debt	**10**	21,772	21,773
Total expenses		**5,218,123**	**2,750,709**
Loss before income taxes from continuing operations		**(5,045,645)**	**(2,742,597)**
Income Taxes			
Current and deferred income tax expense	**3(d), 7**	-	-
Total comprehensive loss for the period from continuing operations		**(5,045,645)**	**(2,742,597)**
Total comprehensive loss for the period from discontinued operations	**6**	(90,016)	(1,357)
Total comprehensive loss for the period from continuing and discontinued operations		**(5,135,661)**	**(2,743,954)**
Loss per share, basic and diluted from continuing operations[A]	**8**	**$ (0.17)**	**$ (0.12)**
Loss per share, basic and diluted for discontinued operations[A]	**6**	**$ 0.00**	**$ 0.00**
Weighted average common shares issued and outstanding basic and diluted[A]	**8**	29,026,316	22,357,441

Note A: As outlined in Note 1, 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.

Consolidated Statements of Financial Position
As at 31 October 2017, 31 October 2016, and 1 November 2015 (Expressed in Canadian dollars)

	Note	31 October 2017	31 October 2016 Note 23 - Restated	1 November 2015 Note 23 - Restated
Assets				
Current Assets				
Cash and cash equivalents		1,600,137	5,142,401	632,247
Trade and other accounts receivable	13	99,002	40,732	37,482
Prepaid expenses		60,132	10,562	10,255
Inventories	12	90,416	2,500	1,000
Total Current Assets		**1,849,687**	**5,196,195**	**680,984**
Non-current Assets				
Equipment		-	-	11,726
Total Non-current Assets		**-**	**-**	**11,726**
Total Assets		**1,849,687**	**5,196,195**	**692,710**
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payables and accrued liabilities	17	500,202	480,271	279,209
Research and development repayable funding	9, 23	25,566	1,055	882
Long-term debt	10	78,165	147,129	-
Total Current Liabilities		**603,933**	**628,455**	**280,091**
Non-current Liabilities				
Research and development repayable funding	9, 23	158,530	130,117	92,665
Long-term debt	10	918,438	797,694	(85,839)
Total Non-current Liabilities		**1,076,968**	**927,811**	**6,826**
Total Liabilities		**1,680,901**	**1,556,266**	**286,917**
Shareholders' Equity				
Share Capital	1, 14	19,910,051	18,119,041	12,675,922
Contributed surplus	1	2,712,880	2,995,099	2,842,013
Accumulated deficit	1, 23	(22,454,145)	(17,474,211)	(15,112,142)
Total Shareholders' Equity		**168,786**	**3,639,929**	**405,793**
Total Liabilities and Shareholders' Equity		**1,849,687**	**5,196,195**	**692,710**

Going Concern - Note 1
Restatement - Note 23

Consolidated Statements of Changes in Equity

For the years ended 31 October 2017 and 2016 (Expressed in Canadian dollars)

	Shares Outstanding	Share Capital	Contributed Surplus				Deficit	Total Shareholders Equity
			Warrants	*Stock Options*	*Stock Appreciation Rights*	Total Contributed Surplus		
Note Reference	*1, 24*	*14*	*15*	*16*	*16*		*Note 23 - Restated*	
Balance as at November 1, 2015	**19,666,706**	**$ 12,675,922**	$ 1,774,881	$ 875,814	$ 191,318	**$ 2,842,013**	**$ (15,112,142)**	**$ 405,793**
						$ -		
Loss for the period from continuing operations							$ (2,742,597)	$ (2,742,597)
Loss for the period from discontinued operations							$ (1,357)	$ (1,357)
Issuance of warrants related to long-term debt			$ 133,523			$ 133,523		$ 133,523
Transaction costs associated with long-term debt warrants			$ (11,932)			$ (11,932)		$ (11,932)
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		$ (409,283)				$ -		$ (409,283)
Issuance of agent warrants		$ (146,566)	$ 146,566			$ 146,566		$ -
Exercise of warrants	2,099,800	$ 3,046,355	$ (596,654)			$ (596,654)		$ 2,449,701
Exercise of stock options	22,000	$ 22,380		$ (1,080)		$ (1,080)		$ 21,300
Vesting of share-based payments				$ 192,844	$ 1,937	$ 194,781		$ 194,781
Warrants and options expired in the period			$ (303,805)	$ (78,080)		$ (381,885)	$ 381,885	$ -
Balance as at October 31, 2016	**27,788,506**	**$ 18,119,041**	$ 1,812,346	$ 989,498	$ 193,255	**$ 2,995,099**	**$ (17,474,211)**	**$ 3,639,929**
Loss for the period from continuing operations							$ (5,045,645)	$ (5,045,645)
Loss for the period from discontinued operations							$ (90,016)	$ (90,016)
Exercise of warrants	1,361,409	$ 1,776,818	$ (428,585)			$ (428,585)		$ 1,348,233
Exercise of stock options	11,140	$ 14,192		$ (6,074)		$ (6,074)		$ 8,118
Vesting of share-based payments				$ 308,167		$ 308,167		$ 308,167
Warrants and options expired in the period			$ (141,935)	$ (13,792)		$ (155,727)	$ 155,727	
Balance as at October 31, 2017	**29,161,055**	**19,910,051**	1,241,826	1,277,799	193,255	**2,712,880**	**(22,454,145)**	**168,786**

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 Note 1).

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

	Note		October 31, 2017		October 31, 2016 Note 23 - Restated
Cash Flows from (used in) Operating Activities					
Loss from continuing operations		$	(5,045,645)	$	(2,742,597)
Loss from discontinued operations	6	$	(90,016)	$	(1,357)
Items not affecting cash					
Share-based compensation	16	$	308,167	$	194,781
Depreciation of equipment		$	-	$	11,726
Changes in non-cash operating working capital items					
Trade and other accounts receivable		$	(58,270)	$	(3,250)
Prepaid expenses		$	(49,570)	$	(307)
Inventories		$	(87,916)	$	(1,500)
Accounts payable and accrued liabilities		$	19,931	$	201,062
Net effect of foreign exchange rates on cash		$	(2,916)	$	243
Non-cash adjustment					
Interest accrued and amortization of transaction fees on long-term debt	10		179,573		165,437
Interest accrued on research and development repayable funding	9, 23		53,919		38,507
Government grant on interest-free loan	9, 23				(47,051)
Cash Flows used in Operating Activities			**(4,772,743)**		**(2,184,306)**
Cash Flows from Investing Activities			**Nil**		**Nil**
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	$	(995)	$	(882)
Proceeds from issuance of private placement units	14	$	-	$	3,600,000
Share issuance cost	14	$	-	$	(409,283)
Proceeds from long-term debt	10	$	-	$	866,477
Repayment of long-term debt	10	$	(127,793)	$	-
Proceeds from the exercise of share purchase warrants	14, 15	$	1,348,233	$	2,449,701
Proceeds from the exercise of stock options	16	$	8,118	$	21,300
Proceeds from warrants issued with long-term debt	10	$	-	$	133,523
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			**1,227,563**		**6,694,703**
Increase (decrease) in cash and cash equivalents during the period		$	(3,545,180)	$	4,510,397
Net effect of exchange rate changes on cash and cash equivalents		$	2,916	$	(243)
Cash and cash equivalents, beginning of period		$	5,142,401	$	632,247
Cash and cash equivalents, end of period			**1,600,137**		**5,142,401**

Notes to the Audited Consolidated Financial Statements

1. Corporate information and going concern

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.

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.

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 generated modest revenues from sales of chemistry products, such as deuterated analytical standards, to various universities and research centres. On 25 September 2017, this segment was discontinued.

Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which contemplates that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Corporation has not obtained profitable operations to date. For the twelve-month period ended 31 October 2017, the Corporation had a net loss from all operations of $(5,135,661) (31 October 2016: $(2,743,954)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is $(22,454,145) as of 31 October 2017 (31 October 2016: $(17,474,211)). These circumstances cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry our its business objectives, and was successful in raising additional equity financing subsequent to year end (Note 22). Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

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. These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of preparation and statement of compliance

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

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 19 December 2017.

3. Summary of significant accounting policies

(A) Basis of consolidation

The audited consolidated 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 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 end of the reporting period, there are no unfulfilled performance obligations extending beyond a year. The Corporation's products are sold without any subsequent pricing adjustments 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 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 liability related to each individual drawdown of the facility is recorded at its fair value as of each respective drawdown date. The Corporation uses the assumption of a 35% discount rate and future projected revenues to determine the fair value. The difference between the amount received in cash on each drawdown date and the related fair value is considered a government grant and is recognized as an item of income in the respective statements of comprehensive income. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment.

(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 cost 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 loss.

Financial Assets
The Corporation early-adopted IFRS 9 *Financial Instruments* effective 1 November 2015. Therefore, 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 loss.

The method of measurement of investments in debt instruments will depend on the business model in which the instrument is held. For investments 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 loss. Such gains or losses recognized in profit or loss include 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 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 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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 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 at the date of acquisition of three months or less. For the purpose of the consolidated statements 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 earnings 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. Since the Corporation was in a loss position in both years presented herein, the effect of all outstanding share options, warrants, and SARs is anti-dilutive, therefore diluted loss per share is equal to basic loss per share for both years.

(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 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 audited consolidated 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.

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.

(P) Discontinued operations

A discontinued operation is a component of the Corporation that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive loss. See Note 6 for additional disclosure.

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 disclosures of contingent assets and 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.

Carrying amount of ACOA research and development repayable funding (ACOA loan)

The initial fair value of the ACOA loan is determined by using a discounted cash flow analysis, which requires a number of assumptions. The difference between the face value and the initial fair value of the ACOA loans is recorded in the consolidated statement of comprehensive loss as a government grant. The carrying amount of the ACOA loans requires management to adjust the loans to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions is made available. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate of 35%. Any adjustments are recognized in the consolidated statement of comprehensive loss as accreted interest after initial recognition.

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the ACOA loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. The Corporation is in the pre-commercialization stages of research and development for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimates of future revenues assume no significant revenue in the near future. The discount rate determined on initial recognition of the loans is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Corporation considered the interest rates of similar long-term debt arrangements, with similar terms. The loans are repayable based on a percentage of gross revenue, accordingly finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used a discount rate of 35% to discount the loans.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all loans, with repayment terms based on future revenue, had been determined to be higher by 10% or lower by 10%, the carrying value of the long-term debt at 31 October 2017 would have been an estimated $90,545 higher or $50,922 lower, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at 31 October 2017 being an estimated $16,059 higher or $16,059 lower, respectively. If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the ACOA loans and the ACOA loan at 31 October 2017 would be $25,566, which would be a reduction in the ACOA loan by $158,530.

Share-based Payments

Share-based payments are estimated using a Black-Scholes pricing model. This model requires management estimates and assumptions on the life of the instrument and the volatility.

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 has contributed $296,055 (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 IFRS 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 $296,055 (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 $284,445 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 profit or loss of the joint venture on the Joint Venture's statement of comprehensive loss to date, and has received no dividends or distributions. 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 $284,445 (1,470,000 RMB) and/or transfer sales rights (the "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 the Chinese Renminbi.

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 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 no impact to the financial statements when adopted on 1 November 2019. As at 1 November 2019, the Corporation will have five months remaining on its only lease contract. The Corporation will adopt the modified retrospective approach and elect the short-term lease exemption. Therefore, no asset or liability will be recognized as at 1 November 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 loss.

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 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*. As at 1 November 2016, the Corporation early adopted *Clarifications to IFRS 15 Revenue from Contracts with Customers.* There was no impact to the Corporation's financial statements.

The IASB has issued several narrow scope amendments between June 2016 to the date of issuance 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. All other new standards and amendments have no impact on the Corporation.

6. Operating segment information and discontinued operations

The Corporation's chief operating decision maker, the Chief Executive Officer, monitored the Corporation's operations as two main business segments: (1) products based on OxC-beta™ Technology, and (2) chemistry product sales until 25 September 2017.

On 25 September 2017, the Corporation discontinued its chemistry product operating segment. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive loss and in the consolidated statement of cash flows.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

For the period ended 31 October 2017, the Corporation had no assets or liabilities associated with the discontinued operations. All assets and liabilities are for the OxC-beta™ technology business. All of the Corporation's assets and liabilities are located in Canada.

The Corporation determines the geographic location of revenues from continuing and discontinued operations based on the location of its customers.

	OxC-beta™ (Continuing operations)				Chemistry (Discontinued operations)			
Sales for periods ending:		**31 October 2017**		**31 October 2016**		**31 October 2017**		**31 October 2016**
Canada	$	Nil	$	Nil	$	5,446	$	1,968
United States		29,982	$	10,556	$	664	$	77,206
Europe	$	Nil	$	Nil	$	39,691	$	25,159
Philippines		225,678	$	Nil		Nil	$	Nil
Other	$	Nil	$	Nil	$	27,940	$	46,301
		255,660	**$**	**10,556**	**$**	**73,741**	**$**	**150,634**

The Corporation had significant sales to 1 customer of $225,678 (69% of all revenue) in the twelve-month period ended 31 October 2017 (31 October 2016: $70,781 to two customers or 44% of all revenue).

Discontinued operations

On 25 September 2017, the Corporation disposed of its chemistry products operating segment. The Corporation did not dispose of any assets or liabilities that were recorded on the statement of financial position. Intangible assets transferred in the disposal were not recorded on the statement of financial position as they did not meet the recognition criteria of IFRS.

The gain on disposal of discontinued operations was determined as follows:

Cash consideration received	$	5
Assets and liabilities disposed of	$	Nil
Pre-tax gain on disposal of discontinued operations	$	5
Related tax expense	$	Nil
Gain on disposal of discontinued operations	**$**	**5**

Results of discontinued operations		**31 October 2017**		**31 October 2016**
Revenue	$	73,741	$	150,634
Selling, general and administrative expenses	$	(50,122)	$	(52,298)
Research and development expenses	$	(113,635)	$	(99,693)
Tax expense	$	Nil	$	Nil
Loss for the period	**$**	**(90,016)**	**$**	**(1,357)**

Statement of cash flows from discontinued operations		**31 October 2017**		**31 October 2016**
Operating activities	$	(90,016)	$	(1,357)
Investing activities	$	Nil	$	Nil
Financing activities	$	Nil	$	Nil
Net cash from discontinued operations	**$**	**(90,016)**	**$**	**(1,357)**

Loss per share from discontinued operations		**31 October 2017**		**31 October 2016**
Loss attributable to equity holders for basic loss from discontinued operations	$	(90,016)	$	(1,357)
Loss attributable to equity holders adjusted for dilution	**$**	**(90,016)**	**$**	**(1,357)**
Weighted average number of common shares for basic loss per share		29,026,316		22,357,441
Loss per share (basic and diluted)	**$**	**(0.00)**	**$**	**(0.00)**

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 12 of 21

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	1,369,413
2030	1,929,974
2031	2,857,669
2032	2,079,046
2033	1,056,010
2034	1,862,826
2035	2,453,329
2036	2,708,722
2037	4,773,573
Indefinite[2]	470,371
	$ 23,480,082

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 non-refundable investment tax credit is estimated to be $221,371.

The Corporation also has the following unrecognized deferred income tax assets and liabilities for the periods ended as indicated, however they were not recorded on the statements of financial position because it was not probable that they would be realized:

Deferred Tax Assets	**31 October 2017**	**31 October 2016**
Non-capital loss carry-forwards	$ 6,090,799	$ 4,825,802
Cumulative eligible capital expenditures and PP&E	$ 444,631	$ 444,631
Scientific R&D tax credits and ITCs	$ 131,423	$ 72,760
Share issue costs	$ 233,768	$ 233,768
Total deferred income tax assets not recognized	$ 6,900,621	$ 5,576,691
Deferred income tax assets on the statement of financial position	$ 0	$ 0

Deferred Tax Liabilities	**31 October 2017**	**31 October 2016**
ACOA loan temporary difference	$ 858,441	$ 858,441
Deferred income tax liabilities on the statement of financial position	$ 0	$ 0

Reconciliation of taxable losses for the years ended	**31 October 2017**	**31 October 2016**
Loss before income taxes from continuing operations	$ (5,045,645)	$ (2,742,597)
Loss before income taxes from discontinued operations	$ (90,016)	$ (1,357)
Total loss before income tax from all operations	$ (5,135,661)	$ (2,743,954)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	$ (1,360,950)	$ (727,148)
Non-deductible share-based payments	$ 81,664	$ 51,617
Government grant on interest-free loan	$ 0	$ (12,469)
Interest accretion on long-term debt	$ 14,289	$ 10,204
Depreciation	$ 0	$ 3,107
Income tax recovery not probable to be realized	$ 1,264,997	$ 674,689
Income tax recovery recognized on the statement of comprehensive loss	$ 0	$ 0

8. Loss per share

The outstanding number and type of securities that could potentially dilute basic earnings 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 October 2017 are as noted below.

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 13 of 21

	Number outstanding
Stock Appreciation Rights (SARs)	302,424
Options – Share-based payments	2,275,485
Subscriber Warrants	3,938,729
Agent Warrants	263,342
Long-term Debt Warrants	500,000

	12 months ended 31 October 2017	31 October 2016
Loss attributable to equity holders for basic loss from continuing operations	$ (5,045,645)	$ (2,742,597)
Loss attributable to equity holders adjusted for dilution	**$ (5,045,645)**	**$ (2,742,597)**
Weighted average number of common shares for basic loss per share	29,026,316	22,357,441
Loss per share (basic and diluted)	**$ (0.17)**	**$ (0.12)**

9. Atlantic Canada Opportunities Agency (ACOA) 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.

As discussed in Note 4, the ACOA loans were initially recognized at their fair value, and are subsequently carried at amortized cost as determined by using a discounted cash flow analysis, which requires a number of assumptions. The significant assumptions used in determining fair value using discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate of 35%. Any adjustments are recognized in the consolidated statement of comprehensive loss as accreted interest after initial recognition.

The Corporation commenced repayment on 30 June 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. The next ACOA repayment is due on 30 June 2018 and is $25,566 based on OxC-beta product sales of $255,660 for the year ended 31 October 2017.

	Project 1	Project 2	Total
Balance as at 1 November 2015	**$ 9,951**	**$ 83,596**	**$ 93,547**
Interest accrual during the period	$ 3,992	$ 34,515	$ 38,507
Repayment of loan during the period	$ (882)	$ -	$ (882)
Balance as at 31 October 2016	**$ 13,061**	**$ 118,111**	**$ 131,172**
Interest accrual during the period	$ 5,260	$ 48,659	$ 53,919
Repayment of loan during the period	$ (995)	$ -	$ (995)
Balance as at 31 October 2017	**$ 17,326**	**$ 166,770**	**$ 184,096**

	31 October 2017	31 October 2016	1 November 2015
Current portion of repayable funding	$ 25,566	$ 1,055	$ 882
Non-current portion of repayable funding	$ 158,530	$ 130,117	$ 92,665
Total R&D Repayable Funding	$ 184,096	$ 131,172	$ 93,547

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

10. Long-term debt

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 14 of 21

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 was accrued and was paid on 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 13 November 2017 but before 13 November 2018, the Corporation must pay an additional 3% of any principal amount prepaid; and after 13 November 2018 but before 13 November 2019, 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 will vest as the credit facility is drawn down at an exercise price of $1.10. 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 method. Transaction and legal costs associated with the facility in the amount of $99,023 have been recorded 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. 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. Under the original terms of the agreement, the remaining $800,000 of the credit facility was available to be drawn up to 29 December 2017. Subsequent to year end, the Corporation amended the terms of the agreement to adjust the availability of the remaining $800,000 drawdown from 29 December 2017 to 31 March 2018.

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 during the period	$ (127,793)
Interest accrual during the period	$ 157,801
Amortization of transaction costs during the period	$ 21,772
Balance as at 31 October 2017	**$ 996,603**
Current portion of long-term debt	$ 78,165
Non-current portion of long-term debt	$ 918,438
Balance as at 31 October 2017	**$ 996,603**

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

2018	$ 78,165
2019	$ 82,164
2020	$ 1,242,425
Total	**$ 1,402,754**

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.

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 15 of 21

12. Inventories

	31 October 2017	31 October 2016
Work in process	$ 47,676	$ 0
Finished goods	$ 42,740	$ 2,500
Total inventory	**$ 90,416**	**$ 2,500**

The amount of the inventories recognized as an expense in the twelve-month period ending 31 October 2017 is $84,245 (31 October 2016: $8,146). Inventory expense in the twelve-month period ended 31 October 2017 consists of $83,182 in cost of OxC-beta™ Technology product sold and $1,063 in inventory expensed to marketing. Inventory expense in the twelve-month period ended 31 October 2016 consisted of $2,444 in cost of OxC-beta™ Technology product sold and $5,702 of inventory impaired.

At 31 October 2016, the Corporation impaired an amount of inventory. For the twelve-month period ended 31 October 2017, the Corporation reversed $5,286 of this impairment.

13. Trade and other accounts receivable

	31 October 2017	31 October 2016
Trade receivables	$ 4,056	$ 10,455
Receivables from tax authorities (HST input credits)	$ 94,946	$ 30,277
	$ 99,002	**$ 40,732**

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

	Total	Neither past due nor impaired	Past due but not impaired (days) < 30	30-60	> 60
31 October 2017	$4,056	$4,056	$0	$0	$0
31 October 2016	$10,455	$7,320	$0	$3,135	$0

14. Common Shares

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

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

The common shares had a fair value of $0.70 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 and 375,809 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. 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; exercise price for investor warrants $0.90, for finder warrants $0.60; 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 twelve-month period ending 31 October 2017, certain warrants and stock options were exercised for common shares. The details of the instruments exercised are indicated below:

Avivagen Inc. In Canadian dollars, for the twelve months ending 31 October 2017 Page 16 of 21

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**

15. Warrants

As at 31 October 2017, the Corporation had 4,702,071 warrants outstanding. 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 October 2017.

16. 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. The following table represents options issued, exercised, expired, and forfeited.

	Total	Weighted average exercise price
Balance Outstanding at 31 October 2015	**1,629,510**	**$ 0.895**
Granted	331,667	$ 0.80
Exercised	(2,000)	$ 0.65
Forfeited	(66,400)	$ 0.90
Expired	(50,000)	$ 1.00
Balance Outstanding at 31 October 2016	**1,842,777**	**$ 0.876**
Granted	80,000	$ 1.00
Granted	428,433	$ 1.10
Exercised	(5,308)	$ 0.65
Exercised	(5,834)	$ 0.80
Forfeited	(20,417)	$ 0.65
Forfeited	(4,999)	$ 0.70
Forfeited	(39,167)	$ 0.80
Balance Outstanding at 31 October 2017	**2,275,485**	**$ 0.927**

Options exercisable at:	Total	Weighted average exercise price
31 October 2017	1,732,581	$ 0.895
31 October 2016	1,409,235	$ 0.907

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 17 of 21

Exercise price	Options Outstanding	Options Exercisable	Weighted average remaining contractual life in months
$1.00	268,776	268,776	3.3
$1.00	520,000	520,000	4.3
$1.00	100,000	100,000	11.5
$1.00	36,000	36,000	17.1
$0.70	51,667	51,667	3.3
$0.70	215,000	215,000	18.6
$0.90	120,000	120,000	30.6
$0.65	26,042	26,042	3.3
$0.65	142,900	143,000	33.7
$0.80	11,667	11,667	3.3
$0.80	275,000	171,875	43.8
$1.00	80,000	15,000	51.9
$1.10	428,433	53,554	55.0
	2,275,485	**1,732,581**	

On 22 June 2016, the Corporation granted 331,667 stock options to employees, directors, and consultants. 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. The fair value of the options was determined to be $0.55 based on a Black-Scholes calculation using the following assumptions: a stock price of $0.70; exercise price of $0.80; 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. The stock options were granted pursuant to the terms of the stock option plan and are exercisable at $1.00 per share. The fair value of the options was determined to be $0.76 based on a Black-Scholes value using the following assumptions: a stock price of $1.00, an exercise price of $1.00, 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.

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.

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. 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. 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.

For the twelve-month period ended 31 October 2017, the Corporation recorded $308,167 (31 October 2016: $194,781) as contributed surplus and compensation expense for the vesting of share-based payments, which is measured at fair value at the date of grant and is graded and expensed over the option's vesting period.

17. Accounts payables and accrued liabilities

As at the years ended	31 October 2017	31 October 2016
Trade payable and accrued liabilities	$ 241,148	$ 151,419
Related parties (Note 19)	$ 0	$ 149,667
Staff and board compensation payable	$ 94,054	$ 14,185
Management bonuses payable	$ 165,000	$ 165,000
Total	**$ 500,202**	**$ 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.

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 18 of 21

18. Expenses: disclosure of expenses by nature

For the years ended:	**31 October 2017**	**31 October 2016**
Selling, general, and administrative		
Salary, wages, and benefits	$ 1,271,114	$ 731,107
Professional fees and other	$ 2,356,511	$ 886,423
Board fees	$ 223,654	$ 74,259
Share-based payment	$ 308,167	$ 194,781
Total selling, general, and administrative	**$ 4,159,446**	**$ 1,886,570**
Research and development		
Salary, wages, and benefits	$ 419,556	$ 486,398
Professional fees and other	$ 405,629	$ 209,122
Total research and development	**$ 825,185**	**$ 695,520**

19. 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. Their compensation is as follows:

For the years ended:	**31 October 2017**	**31 October 2016**
Short term employee benefits	$ 687,141	$ 332,060
Termination payment	$ 303,704	$ 0
Share-based payments	$ 169,074	$ 110,605
Total key management compensation	**$ 1,159,919**	**$ 442,665**

For the twelve-month period ending 31 October 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 $280,626 incurred in the year (31 October 2016: $149,667), $0 is payable as at 31 October 2017 (31 October 2016: $149,667).

The Corporation is the ultimate parent entity. The common shares are widely held, with no controlling shareholder.

20. 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 assets are cash and cash equivalents. 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 ACOA R&D repayable funding 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 0.78% to 1.00% 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 revenues or expenses 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 revenues and expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the twelve-month period ended 31 October 2017, the Corporation's foreign exchange losses were $29,232 (31 October 2016: losses of $15,063). The US foreign exchange rates were as follows:

As at:	US to CAD exchange rate
31 October 2016	1.3411
31 October 2017	1.2893

The Canadian dollar carrying value of US dollar financial instruments are as follows:

Cash and cash equivalents	$	150,079
Trade and other accounts receivable	$	4,056
Accounts payable and accrued liabilities	$	(98,368)
Total	**$**	**55,767**

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of comprehensive loss and equity would be $5,577.

Credit risk

Credit risk is the risk that a 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. The carrying amount of cash and cash equivalents and trade and other accounts receivable represents the maximum exposure to credit risk and at 31 October 2017 this amounted to $1,699,139 (31 October 2016 - $5,183,133). The cash and cash equivalents are held by two high credit quality financial institutions on behalf of the Corporation, therefore the Corporation considers the risk of non-performance to be remote. The trade and other receivables consist of $94,946 (31 October 2015: $30,277) in HST input tax credits receivable.

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 1.

Capital management

The Corporation manages its capital, which consists of cash provided from financing, long-term debt, and ACOA 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. 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.

21. Commitments, 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 $11,225 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 requires rental payments over the life of the lease as follows:

2018	$	136,799
2019	$	139,316
2020	$	58,489
Total	**$**	**334,604**

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.

22. Events after the reporting period

On 30 November 2017, the Corporation completed a private placement of 4,058,500 units for gross proceeds of $4,058,500. Each unit consisted of one common share and one half common share purchase warrant for a unit price of $1.00. Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of $1.20 for 3 years. Two independent directors participated in the financing in the total amount of $510,000. The Corporation paid commissions and finder's fees in connection with the private placement in the amount of $289,580 and 283,080 finder warrants. Each finder warrant entitles the finder to purchase one common share of the Corporation for 3 years at $1.00.

Subsequent to year-end, 1,163,738 subscriber warrants with an expiry date of 16 December 2017 had been extended to 30 June 2018.

Subsequent to year end, the Corporation amended the terms of the Bloom Burton Healthcare Lending Trust agreement to adjust the availability of the remaining $800,000 drawdown from 29 December 2017 to 31 March 2018.

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 20 of 21

23. Restatement of research and development repayable funding

During the year ended 31 October 2017, the Corporation determined that it did not fair value the research and development repayable funding (Note 9), on initial recognition on the respective drawdown dates, as required under IFRS 9 and IAS 20. As a result, the Corporation has restated the financial statements for periods prior to the year ended 31 October 2017 to recognize the drawdowns at their fair value of drawdowns at each respective drawdown date. The Corporation uses the assumption of a 35% discount rate and future projected revenues to determine the fair value. The fair value is a Level 3 discounted cash flow model (see Note 4 and Note 9). The difference between the amount received in cash on each drawdown date and the related fair value is considered a government grant and is recognized as an item of income in the respective statements of comprehensive loss. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment. The following table reflects the adjustments made in these financial statements to correct these prior period errors:

	October 31, 2016			November 1, 2015		
	As Originally Presented	Adjustments	As Restated	As Originally Presented	Adjustments	As Restated
Statement of financial position						
Current portion of research and development repayable funding	$ 1,055	$ -	$ 1,055	$ 822	$ 60	$ 882
Long-term portion of research and development repayable funding	$ 3,369,518	$ (3,239,401)	$ 130,117	$ 3,323,582	$ (3,230,917)	$ 92,665
Statement of comprehensive income						
Accretion of research and development repayable funding	$ -	$ 38,507	$ 38,507			
Government grant on interest free loan	$ -	$ (47,051)	$ (47,051)			
Loss for the period from continuing operations	$ (2,751,141)	$ 8,544	$ (2,742,597)			
Total comprehensive loss for the period from continuing and discontinued operations	$ (2,752,498)	$ 8,544	$ (2,743,954)			
Statement of changes in equity						
Loss for the period from continuing operations	$ (2,751,141)	$ 8,544	$ (2,742,597)			
Accumulated deficit	$ (20,713,612)	$ 3,239,401	$ (17,474,211)	$ (18,342,999)	$ 3,230,857	$ (15,112,142)
Shareholders' Equity	$ 400,528	$ 3,239,401	$ 3,639,929	$ (2,825,064)	$ 3,230,857	$ 405,793
Statement of cash flows						
Accretion of research and development repayable funding	$ -	$ 38,507	$ 38,507			
Loss per share						
Loss per share, basic and diluted from continuing operations	$ (0.12)	$ -	$ (0.12)			

Avivagen Inc. In Canadian dollars, for the year ended 31 October 2017 Page 21 of 21