Avivagen Inc.

Audited Financial Statements

October 31, 2018

Management's Statement of Responsibility

The audited 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 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 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)

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avivagen Inc.

We have audited the accompanying financial statements of Avivagen Inc., which comprise the statement of financial position as at October 31, 2018, and the statement of comprehensive loss, statement of cash flows and statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Avivagen Inc. as at October 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of Avivagen Inc. for the year ended October 31, 2017, were audited by other auditors who expressed an unmodified opinion on those statements on December 19, 2017.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Avivagen Inc. had continuing losses during the year ended October 31, 2018 and a cumulative deficit as at October 31, 2018. These conditions along with other matters set forth in Note 1 indicate the existence of material uncertainty that cast significant doubt about the ability of Avivagen Inc. to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 30, 2019

Audited Statements of Comprehensive Loss
For the years ended October 31, 2018 and October 31, 2017 (Expressed in Canadian dollars)

	Note	October 31, 2018	October 31, 2017
Continuing operations			
Revenues	**3(b), 6**	$ 1,072,572	$ 255,660
Cost of products sold	**13**	418,835	83,182
Gross margin		**653,737**	**172,478**
Selling, general and administration	**19**	4,265,175	4,159,446
Research	**19**	534,981	825,185
Depreciation of equipment	**12**	2,540	-
Finance cost	**19**	435,100	233,492
Joint venture termination	**20**	250,000	-
Total expenses		**5,487,796**	**5,218,123**
Income Taxes			
Current and deferred income tax expense	**3(c), 7**	-	-
Total comprehensive loss for the year from continuing operations		**(4,834,059)**	**(5,045,645)**
Total comprehensive loss for the year from discontinued operations	**6**	-	(90,016)
Total comprehensive loss for the year from continuing and discontinued operations		**(4,834,059)**	**(5,135,661)**
Loss per share, basic and diluted from continuing operations	**8**	**$ (0.15)**	**$ (0.17)**
Loss per share, basic and diluted for discontinued operations	**6**	**$ 0.00**	**$ 0.00**
Weighted average common shares issued and outstanding basic and diluted	**8**	33,058,010	29,026,316

Audited Statements of Financial Position

As at October 31, 2018 and October 31, 2017 (Expressed in Canadian dollars)

	Note	October 31, 2018	October 31, 2017
Assets			
Current Assets			
Cash and cash equivalents	**21**	2,207,393	1,600,137
Trade and other accounts receivable	**7, 14**	226,931	99,002
Prepaid expenses		28,909	60,132
Inventories	**13**	578,998	90,416
Total Current Assets		**3,042,231**	**1,849,687**
Non-current Assets			
Equipment	**12**	66,999	-
Total Non-current Assets		**66,999**	**-**
Total Assets		**3,109,230**	**1,849,687**
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payables and accrued liabilities	**18**	762,579	500,202
Current portion of research and development repayable funding	**9**	107,257	25,566
Current portion of long-term debt	**10**	140,151	78,165
Total Current Liabilities		**1,009,987**	**603,933**
Non-current Liabilities			
Research and development repayable funding	**9**	238,152	158,530
Long-term debt	**10**	1,767,312	918,438
Total Non-current Liabilities		**2,005,464**	**1,076,968**
Total Liabilities		**3,015,451**	**1,680,901**
Shareholders' Equity			
Share Capital	**15**	22,963,948	19,910,051
Reserve	**20**	250,000	-
Contributed surplus	**16, 17**	3,275,558	2,712,880
Accumulated deficit		(26,395,727)	(22,454,145)
Total Shareholders' Equity		**93,779**	**168,786**
Total Liabilities and Shareholders' Equity		**3,109,230**	**1,849,687**

Going Concern - Note 1
Commitments - Note 22

Audited Statements of Changes in Equity

For the years ended October 31, 2018 and October 31, 2017 (Expressed in Canadian dollars, except for shares outstanding)

	Shares Outstanding	Share Capital	Reserve	Contributed Surplus				Deficit	Total Shareholders Equity
				Warrants	*Stock Options*	*Stock Appreciation Rights*	Total Contributed Surplus		
Note Reference	*15*	*15*	*20*	*16*	*17*	*17*			
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 year from continuing operations								$ (5,045,645)	$ (5,045,645)
Loss for the year 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				$ (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**
Loss for the year from continuing operations								$ (4,834,059)	$ (4,834,059)
Issuance of share capital in private placement	4,058,500	$ 4,058,500							$ 4,058,500
Issuance of investor warrants in private placement		$ (856,195)		$ 856,195			$ 856,195		
Issuance of agent warrants in private placement		$ (154,278)		$ 154,278			$ 154,278		
Issuance cost of share capital		$ (315,737)		$ (84,418)			$ (84,418)		$ (400,155)
Shares issued in settlement of debt	107,944	$ 86,355							$ 86,355
Common shares reserved for issuance			$ 250,000						$ 250,000
Exercise of warrants	237,629	$ 235,252		$ (92,675)			$ (92,675)		$ 142,577
Exercise of stock appreciation rights						$ (161,455)	$ (161,455)	$ 161,455	
Vesting of share-based payments					$ 575,980		$ 575,980		$ 575,980
Vesting of long-term debt warrants				$ 45,795			$ 45,795		$ 45,795
Warrants and options expired				$ (10,027)	$ (720,995)		$ (731,022)	$ 731,022	
Balance as at October 31, 2018	**33,565,128**	**$ 22,963,948**	**$ 250,000**	$ 2,110,974	$ 1,132,784	$ 31,800	**$ 3,275,558**	**$ (26,395,727)**	**$ 93,779**

Audited Statements of Cash Flows

For the years ended October 31, 2018 and October 31, 2017 (Expressed in Canadian dollars)

	Note	October 31, 2018	October 31, 2017
Cash Flows from (used in) Operating Activities			
Loss from continuing operations		$ (4,834,059)	$ (5,045,645)
Loss from discontinued operations	**6**	$ -	$ (90,016)
Items not affecting cash and non-cash adjustments:			
Depreciation on equipment	**12**	$ 2,540	$ -
Share-based compensation	**17**	$ 575,980	$ 308,167
Finance cost	**19**	$ 435,100	$ 233,492
Common shares reserved for issuance	**20**	$ 250,000	$ -
Net effect of foreign exchange rates on cash		$ (2,402)	$ (2,916)
Changes in non-cash operating working capital items:			
Trade and other accounts receivable	**14**	$ (127,929)	$ (58,270)
Prepaid expenses		$ 31,223	$ (49,570)
Inventories	**13**	$ (488,582)	$ (87,916)
Accounts payable and accrued liabilities	**18**	$ 262,377	$ 19,931
Shares issued in settlement of accounts payable	**15, 18**	$ 86,355	$ -
Cash Flows used in Operating Activities		**(3,809,397)**	**(4,772,743)**
Cash Flows used in Investing Activities			
Purchase of equipment	**12**	$ (69,539)	$ -
Cash Flows used in Investing Activities		**(69,539)**	**-**
Cash Flows from (used in) Financing Activities			
Proceeds from issuance of private placement units	**15**	$ 4,058,500	$ -
Share issuance cost	**15**	$ (400,155)	$ -
Repayment of research and development repayable funding	**9**	$ (25,566)	$ (995)
Repayment of long-term debt	**10**	$ (91,566)	$ (127,793)
Proceeds from long-term debt	**10**	$ 754,205	$ -
Proceeds from warrants issued with long-term debt	**10**	$ 45,795	$ -
Proceeds from the exercise of share purchase warrants	**15, 16**	$ 142,577	$ 1,348,233
Proceeds from the exercise of stock options	**17**	$ -	$ 8,118
Cash Flows from Financing Activities		**4,483,790**	**1,227,563**
Increase (decrease) in cash and cash equivalents during the year		$ 604,854	$ (3,545,180)
Net effect of exchange rate changes on cash and cash equivalents		$ 2,402	$ 2,916
Cash and cash equivalents, beginning of year		$ 1,600,137	$ 5,142,401
Cash and cash equivalents, end of year		**2,207,393**	**1,600,137**

Notes to the Audited Financial Statements

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

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.

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 has also created products intended to improve or maintain quality of life in companion animals.

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 year ended October 31, 2018, the Corporation had a net loss from all operations of $(4,834,059) (year ended October 31, 2017: $(5,135,661)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is $(26,395,727) as of October 31, 2018 (October 31, 2017: $(22,454,145)). 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 out its business objectives and was successful in raising additional equity and debt financing in the current fiscal year. 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 statement of financial position 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 financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The audited 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 January 30, 2019.

3. Summary of significant accounting policies

(A) Foreign currency translation

The financial statements are presented in Canadian dollars. The functional currency of the Corporation 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 translated 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.

(B) 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.

(C) 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 period 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.

(D) 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 was recorded at its fair value as of each respective drawdown date. The Corporation used 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 was considered a government grant and was 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. Scientific Research and Experimental Development (SRED) funding from the Government of Canada is recognized as a government grant.

(E) 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 statements of comprehensive loss.

Financial Assets

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 FVTPL. The gains or losses, if any, arising on remeasurement of FVTPL are recognized in profit or loss within the 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 statements of comprehensive loss. Such gains or losses recognized in the statement of comprehensive 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.

(F) 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 share capital 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 the statement of comprehensive 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.

(G) 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.

(H) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term deposits, and investments with an original maturity at the date of acquisition of three months or less or repayable on demand. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash, short-term deposits, and investments as defined above.

(I) 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.

(J) 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 all periods 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 periods.

(K) 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.

(L) Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Corporation depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment of 15 years.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(M) Intangible assets

Internally generated patent, research, and development assets are not capitalized, as they did not meet the criterion under IAS 38 and accordingly the expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

(N) 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.

(O) Impairment of non-financial assets

The Corporation assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or collection of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(P) 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.

(Q) 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 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 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 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 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 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 commercialization and early-revenue stages for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimate of future revenues assumes some revenue growth in the near future. Adjusting for the revenue growth resulted in an increase to the ACOA liability of $114,151 and a corresponding charge to finance cost for the year ended October 31, 2018. 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% (45%) or lower by 10% (25%), the carrying value of the long-term debt at October 31, 2018 would have been an estimated $80,261 lower or $128,996 higher, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at October 31, 2018 being an estimated $21,521 higher or $23,086 lower, respectively. If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the non-current portion of the ACOA loans and the ACOA loan at October 31, 2018 would be $107,257, which would be a reduction in the ACOA loan by $238,152.

Share-based payments and warrants

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

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 January 13, 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 January 1, 2019. The Corporation has assessed and determined that there will be no impact to the financial statements when adopted on November 1, 2019. As at November 1, 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 November 1, 2019 unless the Corporation renews the lease before November 1, 2019.

All other new standards were early adopted and had no impact on the audited financial statements.

6. Operating segment information and discontinued operations

The Corporation's chief operating decision maker, the Interim Chief Executive Officer, monitors the Corporation's operations as one segment: products based on OxC-beta™ Technology.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

On September 25, 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 statement of cash flows. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

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 years ended:	**October 31 2018**	**October 31 2017**	**October 31 2017**
Canada	$ Nil	$ Nil	$ 5,446
United States	$ 96,053	$ 29,982	$ 664
Europe	$ Nil	$ Nil	$ 39,691
Philippines	$ 947,096	$ 225,678	$ Nil
Other	$ 29,423	$ Nil	$ 27,940
	$ 1,072,572	**$ 255,660**	**$ 73,741**

From continuing operations, the Corporation had significant sales to one customer of $947,096 (88% of all revenue) in the year ended October 31, 2018 (year ended October 31, 2017: sales to one customer of $225,678 or 69% of all revenue).

7. Income taxes

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

2026	$ 544,416
2027	911,198
2028	437,970
2029	1,369,413
2030	1,955,539
2031	2,857,669
2032	2,079,046
2033	1,056,010
2034	1,862,826
2035	2,453,329
2036	2,410,118
2037	4,808,697
2038	3,576,010
Indefinite[1]	1,540,949
	$ 27,863,190

Note 1: Of the $1,540,949 of unclaimed Canadian federal and provincial Scientific Research and Experimental Development (SRED) expenditures, $461,374 is subject to review, assessment, and approval by the Canadian Revenue Agency.

The Corporation filed Canadian Provincial and Federal SRED tax claims and recorded $174,112 in trade and other receivables related to the refundable portion of the Ontario Investment Tax Credit for tax years 2018, 2017, and 2016. The 2018 portion of the receivable is still subject to assessment by the Canada Revenue Agency.

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

Deferred Tax Assets	**October 31 2018**	**October 31 2017**
Non-capital loss carry-forwards	$ 6,894,910	$ 6,090,799
Cumulative eligible capital expenditures and PP&E	$ 445,304	$ 444,631
Scientific R&D tax credits and ITCs	$ 488,835	$ 131,423
Share issue costs	$ 212,159	$ 233,768
Common shares reserved for future issuance	$ 66,250	$ Nil
Total deferred income tax assets not recognized	$ 8,107,458	$ 6,900,621
Deferred income tax assets on the statement of financial position	$ Nil	$ Nil

Deferred Tax Liabilities	**October 31 2018**	**31 October 2017**
ACOA loan temporary difference	$ 794,630	$ 858,441
Deferred income tax liabilities on the statement of financial position	$ Nil	$ Nil

Reconciliation of taxable losses for the years ended	**October 31 2018**	**October 31 2017**
Loss before income taxes from continuing operations	$ (4,834,059)	$ (5,045,645)
Loss before income taxes from discontinued operations	$ Nil	$ (90,016)
Total loss before income tax from all operations	$ (4,834,059)	$ (5,135,661)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	$ (1,281,026)	$ (1,360,950)
Non-deductible share-based payments	$ 152,635	$ 81,664
SRED claimed expenditures	$ 130,007	$ Nil
Depreciation on equipment	$ 673	$ Nil
Interest accretion on long-term debt	$ 49,523	$ 14,289
Share issue costs	$ (38,481)	Nil
Common shares reserved for future issuance	$ 66,250	Nil
Income tax recovery not probable to be utilized	$ 920,419	$ 1,264,997
Income tax recovery recognized on the statement of comprehensive loss	$ Nil	$ Nil

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 October 31, 2018 and 2017 are as noted below.

	Number Outstanding	
	October 31 2018	**October 31 2017**
Stock Appreciation Rights (SARs)	60,000	302,424
Options – Share-based payments	2,063,729	2,275,485
Subscriber Warrants	5,967,979	3,938,729
Agent Warrants	283,080	263,342
Long-term Debt Warrants	500,000	500,000
Total	**8,874,788**	**7,279,980**
Reserve for common shares to be issued upon wind-up of joint venture (Note 20)	416,667	Nil

	Years ended	
	October 31 2018	**October 31 2017**
Loss attributable to equity holders for basic loss from continuing operations	$ (4,834,059)	$ (5,045,645)
Loss attributable to equity holders adjusted for dilution	**$ (4,834,059)**	**$ (5,045,645)**
Weighted average number of common shares for basic loss per share	33,058,010	29,026,316
Loss per share (basic and diluted)	**$ (0.15)**	**$ (0.17)**

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 $19,951 was repaid for a remaining obligation of $2,032,180. Under the second agreement, the Corporation drew $1,334,400 of which $22,568 was repaid for a remaining obligation of $1,311,832.

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 statement of comprehensive loss as accreted interest after initial recognition. For the year ended October 31, 2018, the adjustment to the ACOA repayable funding liability was an increase of $114,151, with a corresponding expense recognized in finance cost on the statement of comprehensive loss.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

The Corporation commenced repayment on June 30, 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. The ACOA repayment was paid on 30 June 2018 and was $25,566 based on OxC-beta product sales of $255,660 for the year ended October 31, 2017. The next ACOA repayment is currently recorded as $107,257 based on OxC-beta product sales of $1,072,572 in the year ended October 31, 2018 and is due on June 30, 2019.

	Project 1	Project 2	Total
Balance as at October 31, 2016	**$ 13,061**	**$ 118,111**	**$ 131,172**
Interest accrual during the year	$ 5,260	$ 48,659	$ 53,919
Repayment of loan during the year	$ (995)	$ 0	$ (995)
Balance as at October 31, 2017	**$ 17,326**	**$ 166,770**	**$ 184,096**
Interest accrual during the year	$ 6,772	$ 65,956	$ 72,728
Adjustment during the year	$ 4,813	$ 109,338	$ 114,151
Repayment of loan during the year	$ (2,998)	$ (22,568)	$ (25,566)
Balance as at October 31, 2018	**$ 25,913**	**$ 319,496**	**$ 345,409**

	October 31 2018	October 31 2017
Current portion of repayable funding	$ 107,257	$ 25,566
Non-current portion of repayable funding	$ 238,152	$ 158,530
Total R&D Repayable Funding	**$ 345,409**	**$ 184,096**

Under the agreements, the Corporation must maintain a minimum shareholders' equity. The Corporation was in compliance with the covenant agreements as at October 31, 2018 and October 31, 2017. 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

On October 30, 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 November 13, 2016. The facility matures November 13, 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 condition: after November 13, 2018 but before November 13, 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 vested and became exercisable in amounts proportionate to the amount of the facility which was drawn down. 500,000 warrants vested as the credit facility was 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 Venture Exchange (TSX.V) policies in the event of repayment prior to the maturity.

Under IAS 32 *Financial Instruments: Presentation*, 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%. As the credit facility is drawn, the financial liability was recorded at its discounted value of 16% with the difference, being the value of the warrants, accounted for as an equity transaction.

Initial recognition of the facility was 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 November 13, 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.

On May 17, 2018, the Corporation drew the remaining $800,000 from the facility and vested the remaining 222,222 warrants. The debt was recognized at $754,205 and the equity was recognized at $45,795.

The warrants were charged to the contributed surplus account until such time as the warrants are exercised or expired.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

Balance as at October 31, 2016	$	**944,823**
Interest paid during the year	$	(127,793)
Interest accrual during the year	$	157,801
Amortization of transaction costs during the year	$	21,772
Balance as at October 31, 2017	**$**	**996,603**
Amounts drawn from credit facility at present value	$	754,205
Interest paid during the year	$	(91,566)
Interest accrual during the year	$	226,448
Amortization of transaction costs during the year	$	21,773
Balance as at October 31, 2018	**$**	**1,907,463**

Current portion of long-term debt	$	140,151
Non-current portion of long-term debt	$	1,767,312
Balance as at October 31, 2018	**$**	**1,907,463**

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

2019	$	140,151
2020	$	2,119,265
Total	**$**	**2,259,416**

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. The ACOA fair value (Level 3) is explained in Note 9, and the long-term debt approximates its fair value (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. Equipment

		Laboratory equipment
Cost:		
At October 31, 2017	**$**	**Nil**
Additions	$	69,539
At October 31, 2018	**$**	**69,539**
Depreciation:		
At October 31, 2017	**$**	**Nil**
Depreciation charge for the year	$	2,540
At October 31, 2018	**$**	**2,540**
Carrying amount:		
At October 31, 2018	**$**	**66,999**
At October 31, 2017	**$**	**Nil**

13. Inventories

		October 31 2018		**October 31 2017**
Raw materials	$	4,918	$	0
Work in process	$	39,426	$	47,676
Finished goods	$	534,654	$	42,740
Total inventory	**$**	**578,998**	**$**	**90,416**

The amount of the inventories recognized as an expense in the year ended October 31, 2018 is $441,443 (October 31, 2017: $84,245). Inventory expense in the year ended October 31, 2018 consists of $418,835 in cost of product sold and $22,608 expensed for product trials. Inventory expense in the year ended October 31, 2017 consisted of $83,182 in cost of product sold and $1,063 in inventory expensed to marketing.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

14. Trade and other accounts receivables

		October 31 2018		October 31 2017
Trade and other receivables	$	14,014	$	4,056
Receivables from tax authorities for HST input credits	$	38,805	$	94,946
Receivables from tax authorities for SRED tax credits	$	174,112	$	Nil
	$	**226,931**	**$**	**99,002**

Trade and other receivables are non-interest bearing and are on 30-day terms. As at October 31, 2018, $210 of trade and other receivables were impaired. The ageing analysis of trade and other receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired (days) < 30	30-60	> 60
October 31, 2018	$14,014	$83	$0	$13,931	$0
October 31, 2017	$4,056	$4,056	$0	$0	$0

15. Common Shares

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

On November 30, 2017, the Corporation completed a brokered and non-brokered 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 three years. Related parties participated in the financing in the amount of $510,000.

Based on the gross proceeds of $4,058,500, the relative fair value of the common shares was $3,202,305 and the investor warrants were assigned a relative fair value of $856,195. The Corporation paid agent fees in connection with the transaction in the amount of $286,330 and issued 283,080 agent warrants. These were based on a payment of 8% of the brokered proceeds. The agent warrants were assigned a fair value of $154,278 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 three years at $1.00. Legal transaction fees for the private placement were $93,387. TSX.V and other filing fees were $20,438.

The Black-Scholes calculation was based on the following assumptions: a stock price of $0.95; exercise price for investor warrants $1.20, for finder warrants $1.00; time to maturity of 3 years; annual risk-free interest rate of 1.48% based on Bank of Canada 3-year benchmark bond yield; and historical 3-year stock volatility of 92%

On May 8, 2018, the Corporation settled a $165,000 management bonus payable by issuing 107,944 common shares at a deemed price of $0.80 per share and the remittance of certain amounts in statutory deductions to the Canada Revenue Agency on behalf of the employee.

16. Warrants

As at October 31, 2018, the Corporation had 6,751,059 warrants outstanding, 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			4.1	31-Jan-2019[1]	$	1.00
30-Oct-2015			500,000	4	13-Nov-2020	$	1.10
1-Jun-2016	2,774,991			2.7	31-Jan-2019[1]	$	0.90
30-Nov-2017	2,029,250			3	30-Nov-2020	$	1.20
30-Nov-2017		283,080		3	30-Nov-2020	$	1.00
	5,967,979	**283,080**	**500,000**				

Note 1: On September 13, 2018, 1,163,738 subscriber warrants and 2,774,991 subscriber warrants with an expiry date of October 1, 2018 were approved by the TSX.V to be extended to January 31, 2019. These subscriber warrants were previously extended from an expiry date of June 30, 2018.

17. Share-based payments and stock appreciation rights

The Corporation adopted a stock option plan (Plan) on August 4, 2005. The Plan is administered by the Board of Directors 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 February 26, 2018 such that the maximum number of common shares reserved for issuance for options that may be granted under the Plan is 3,321,955. The following table represents options granted, exercised, expired, and forfeited.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

	Total	Weighted average exercise price	
Balance Outstanding at October 31, 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 October 31, 2017	**2,275,485**	**$**	**0.927**
Granted	712,540	$	0.90
Granted	200,000	$	0.57
Forfeited	(45,311)	$	1.10
Expired and forfeited	(902,108)	$	1.00
Expired and forfeited	(67,500)	$	0.90
Expired and forfeited	(51,667)	$	0.70
Expired and forfeited	(31,667)	$	0.80
Expired and forfeited	(26,043)	$	0.65
Balance Outstanding at October 31, 2018	**2,063,729**	**$**	**0.86**

Options exercisable at:	**Total**	**Weighted average exercise price**	
October 31, 2018	1,385,653	$	0.818
October 31, 2017	1,732,581	$	0.895

Exercise price	**Options Outstanding**	**Options Exercisable**	**Weighted average remaining contractual life in months**
$1.00	6,667	6,667	0.4
$0.90	2,500	2,500	0.4
$1.00	36,000	36,000	5.1
$0.70	215,000	215,000	6.6
$0.90	60,000	60,000	18.6
$0.65	142,900	142,900	21.7
$0.80	255,000	255,000	31.8
$1.00	60,000	45,000	39.9
$1.10	383,122	239,451	43.0
$0.90	60,000	22,500	49.7
$0.90	642,540	160,635	53.3
$0.57	200,000	200,000	58.5
	2,063,729	**1,385,653**	

The Corporation has issued certain stock options to employees, consultants, and members of the Board of Directors. The fair value of the options issued was determined based on a Black-Scholes calculation using the inputs listed below.

Date of Issue	**Feb 27 2017**	**Feb 27 2017**	**May 30 2017**	**Dec 22 2017**	**Apr 10 2018**	**Sep 13 2018**
Quantity issued	60,000	20,000	428,433	60,000	652,540	200,000
Vesting period	8 quarters	1/3 per year	8 quarters	8 quarters	8 quarters	Day 1
Exercise price	$1.00	$1.00	$1.10	$0.90	$0.90	$0.57
Issue price	$1.00	$1.00	$1.10	$0.90	$0.90	$0.57
Expected life	5 years	5 years	5 years	5 years	5 years	5 years
Interest rate	1.12%	1.12%	0.96%	1.84%	2.03%	2.25%
Volatility over expected life	102%	102%	99.89%	92.03%	110.11%	108.00%
Fair value	$0.760	$0.760	$0.816	$0.639	$0.713	$0.448

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 May 20, 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 May 20, 2019. All SARs issued are fully vested and are redeemable into cash or common shares at the option of the Corporation.

For the year ended October 31, 2018, the Corporation recorded $575,980 (October 31, 2017: $308,167) 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.

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

18. Accounts payables and accrued liabilities

As at the years ended		**October 31 2018**		**October 31 2017**
Trade payable and accrued liabilities	$	697,763	$	241,148
Staff and board compensation payable	$	64,816	$	94,054
Management bonuses payable	$	Nil	$	165,000
Total	**$**	**762,579**	**$**	**500,202**

Trade payables are normally settled on 30-day terms. All other payables are non-interest bearing and are monies due for key management compensation and employees' earned vacation pay. On May 8, 2018, the Corporation settled the $165,000 management bonus payable through the issuance of 107,944 common shares at $0.80 per share and the remittance of certain amounts in statutory deductions to the Canada Revenue Agency on behalf of the employee.

19. Disclosure of expenses by nature and finance cost

For the years ended:		**October 31 2018**		**October 31 2017**
Selling, general, and administrative				
Salary, wages, and benefits	$	973,178	$	1,271,114
Professional fees and other		2,532,943		2,356,511
Board fees		183,074		223,654
Share-based payment		575,980		308,167
Total selling, general, and administrative	**$**	**4,265,175**	**$**	**4,159,446**
Research				
Salary, wages, and benefits	$	444,787	$	419,556
Professional fees and other		264,306		405,629
Government grants – SRED		(174,112)		Nil
Total research	**$**	**534,981**	**$**	**825,185**

Finance cost

For the years ended:		**October 31 2018**		**October 31 2017**
Interest accretion on research and development repayable funding (Note 9)	$	72,728	$	53,919
Adjustment to present value of research and development repayable funding (Note 9)	$	114,151	$	Nil
Interest accretion on long-term debt (Note 10)	$	226,448	$	157,801
Amortization of transaction costs on long-term debt (Note 10)	$	21,773	$	21,772
Total finance cost	**$**	**435,100**	**$**	**233,492**

20. Related party disclosures and key management compensation

Key management consists of the Interim Chief Executive Officer and the Board of Directors. Their compensation is as follows:

For the years ended:		**October 31 2018**		**October 31 2017**
Short term employee benefits	$	719,771	$	687,141
Termination payment	$	Nil	$	303,704
Share-based payments	$	340,714	$	169,074
Total key management compensation	**$**	**1,060,485**	**$**	**1,159,919**

The Corporation has received legal services from a firm that is a related party, as a former director of the Corporation is a partner at the legal firm. Of the $6,966 incurred in the year, no amounts are payable as at October 31, 2018 (October 31, 2017: expense of $280,626 incurred in the year; $0 payable as at October 31, 2017).

On July 24, 2018, the Corporation entered into an agreement to wind up the China JV. Upon the completion of the wind-up, the Corporation will issue up to 500,000 common shares of the Corporation at $0.60 per share as reimbursement to the JV partner for expenses incurred to date. The termination agreement also provides for issue of additional common shares of the Corporation with a value of $350,000 contingent on certain conditions being met. The Corporation will enter into a future consulting agreement with a former director of the China JV to provide business advice in the China market. Under the terms of the agreement, subject to TSX.V approval, the consultant will be issued common shares of the Corporation equal in value to $50,000 per year, valued at the closing share price on the date of each anniversary of the execution of the agreement.

The Corporation has recorded $250,000 as an estimate of the expenses to be reimbursed, representing 416,667 common shares to be issued in the future at $0.60 per common share. The issue of such reserve for common shares is conditional on the successful winding up of the joint venture in accordance with the termination agreement. Should the joint venture not be successfully wound up, the Corporation will reverse the $250,000 expense and the 416,667 reserve for common shares from equity.

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

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 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 currency 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 accordingly 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 1.75% to 1.90% 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 the majority of its revenues and some of its expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the year ended October 31, 2018, the Corporation's foreign exchange losses were $4,384 (October 31, 2017: losses of $29,232). The US foreign exchange rates were as follows:

As at:	US to CAD exchange rate
October 31, 2017	1.2893
October 31, 2018	1.3142

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

Cash and cash equivalents	$	279,764
Trade and other accounts receivables	$	15,981
Accounts payable and accrued liabilities	$	(357,020)
Total	**$**	**(61,275)**

The impact of a 10% fluctuation in the US dollar exchange rate on the statement of comprehensive loss and statement of changes in equity would be $6,127.

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 or with payment on receipt or in advance. The carrying amount of cash and cash equivalents and trade and other accounts receivable represents the maximum exposure to credit risk and at October 31, 2018 this amounted to $2,434,324 (October 31, 2017 - $1,699,139). 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.

Cash and cash equivalents are held as follows: $1,031,685 in overnight deposits payable on demand, $1,140,708 held in interest and non-interest-bearing operating accounts at the Corporation's financial institution and payable on demand, and $35,000 in cash which is held as collateral against the Corporation's credit cards and redeemable if the Corporation closes its credit card accounts.

Collection Risk

The trade and other accounts receivables consist of $38,805 (October 31, 2017: $94,946) in HST input tax credits receivable and $174,112 (October 31, 2017 Nil) in SRED receivable. HST and SRED are not financial instruments as they are statutory obligations and rights and are not contractual obligations and rights. Accordingly, they are considered collection risk by the Corporation. The collection risk is considered low by the Corporation (see Note 7).

In Canadian dollars, for the years ended October 31, 2018 and October 31, 2017

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.

The following table summarizes the amount of contractual future cash flow requirements for financial instruments as at 31 October 2018:

		0 to 30 Days		31 to 365 Days		366 to 378 Days
Trade payable	$	555,649	$	Nil	$	Nil
Long-term debt	$	34,669	$	105,482	$	2,119,265
Research & development repayable funding	$	Nil	$	107,257		*Note 1*

Note 1: The research & development repayable funding is based on 10% of prior years' revenue. It is not possible to estimate the future payments at this time (See Note 9).

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.

22. Commitments, guarantees, and collateral

Operating lease commitments – Corporation as lessee

The Corporation is committed under agreements for the rental of office space at a monthly rate of $11,486 for the 2018 fiscal year and increases in future periods. The agreements will expire on March 31, 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 (undiscounted value per fiscal year):

2019	$	139,316
2020	$	58,489
Total	**$**	**197,805**

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. Except for a $35,000 term deposit for which RBC holds a lien against and which the Corporation can release upon the cancellation of the credit cards, 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 subsequent to the reporting period

On January 17, 2019, the Corporation received approval from the TSX Venture Exchange to extend the expiry date of 1,163,738 subscriber warrants and 2,774,991 subscriber warrants from January 31, 2019 to October 30, 2019. These subscriber warrants were previously extended from an expiry date of June 30, 2018.

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