SUMMARY FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

22 February 2017

Statement of Management Responsibility

The following "Summary Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") was prepared by management of Avivagen Inc. ("Avivagen" or the "Corporation") and approved by the Board of Directors on 22 February 2017.

Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in these filings. The Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Corporation, and have reviewed this MD&A and the accompanying financial statements.

The Interim Chief Executive Officer (Interim CEO), and the Chief Financial Officer (CFO), in accordance with National Instrument 52-109, have both certified that they have reviewed the unaudited consolidated interim financial statements and this MD&A (the "filings") and that, based on their knowledge having exercised reasonable diligence, that (a) the filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the filings; and (b) the unaudited consolidated interim financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the period presented in the filings.

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 interim filings, annual filings, and other reports provided under securities legislation.

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

This MD&A discusses material changes in the Corporation's financial condition, results of operations and cash flows for the three month period ended 31 January 2017. Such discussion and comments on liquidity and capital resources should be read in conjunction with the unaudited consolidated interim financial statements as well as the audited consolidated financial statements dated 31 October 2016 and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The reader should also refer to the Annual Information Form filed 19 January 2015, Risk Factor section, pages 18-24, and Avivagen's other securities law filings from time to time, which risk factors are incorporated herein by reference.

This discussion and the comments contained hereunder include both historical information and forward-looking information. Statements including expressions such as "anticipate", "believe", "estimate", "expect", "foresee", "intend", "plan", or similar expressions are forward-looking statements. The forward-looking statements are not historical facts but reflect the Corporation's current assumptions and expectations regarding future events. The forward-looking information, which is generally information stated to be anticipated, expected, or projected by the Corporation, involves known and unknown risks, uncertainties and other factors that may cause the actual results and performance of the Corporation to be materially different from any future results and performance expressed or implied by such forward-looking information. Forward-looking statements in this MD&A include, without limitation, statements about the

Corporation's expectations with respect to future revenues, expenses, assets, and liabilities, the Corporation's intention to pursue additional funds through long-term debt or equity financings, the Corporation's expectations with respect to future R&D expenditures, the Corporation's long term goals and expectations with respect to its products and the application thereof, anticipated effects or outcomes of commercial agreements entered into by the Corporation, and the expected impacts on the Corporation of future IFRS accounting pronouncements. Potential risks and uncertainties include, without limitation, the uncertainties inherent in the early development stage of the Corporation and the development of biotechnology products for use in animals and humans; the need for significant additional funding; extensive government regulation of the Corporation's products; rapid developments in technology and acquisition of future technology, including developments by competitors; the introduction of products to market; protection of intellectual property; dependence on key employees; dependence on partners for development, regulatory and commercial advancement of products, and significant portions of revenue; and reliance on third parties for manufacturing, marketing and distribution of products.

Corporation Overview

Avivagen is domiciled in Canada and is located at 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's unique, proprietary technology, known as OxC-beta™ (fully-oxidized beta-carotene) Technology, is based on Avivagen's discovery of the propensity of the micronutrient β-carotene to naturally undergo oxidation to generate polymeric oxidation products that possess a unique combination of immunological health benefits.

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

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

A major milestone for the Corporation was the publication in April 2016 in the American Chemical Society's Journal of Agricultural and Food Chemistry of a peer-reviewed scientific publication "Discovery and Characterization of Carotenoid-Oxygen Copolymers in Fruits and Vegetables with Potential Health Benefits". The paper reported the important discovery that counterparts of OxBC, the bioactive component of OxC-beta™ Livestock, occur naturally in a variety of foods at levels that are expected to beneficially affect immune function. This new knowledge is of major importance to the Corporation in gaining regulatory acceptance throughout the world for the use of the OxC-beta technology in animals and humans. The discovery also has provided the Corporation with the opportunity to expand its patent portfolio by filing for intellectual property protection for the natural forms and counterparts of OxBC.

The Corporation believes that OxC-beta™ Livestock has the potential to replace antibiotics in its food-animal applications: field trials have established that it helps maintain optimal health and thereby provides similar or superior improvements in growth and feed conversion efficiency and prophylaxis to in-feed antibiotics. The Corporation is pursuing initial sales of OxC-beta™ Livestock in species such as poultry and swine where data can be rapidly generated and in jurisdictions with high motivation to eliminate the use of antibiotics and/or that have lower regulatory hurdles for products of this nature. In pursuit of such sales, the Corporation has conducted confirmatory trials with major Asian livestock integrators and exploratory trials with qualified universities or research institutes. Identities of trial collaborators and summary trial results have been disclosed in Avivagen's news releases. The Corporation announced on October 27, 2016 its first industrial-scale order of OxC-beta™ Livestock ("OxC-beta") to the feed industry. This initial purchase from UNAHCO, Inc. in the Philippines was for 150 kg of OxC-beta™ Livestock 10% premix at pricing in line with Avivagen's target. The order, which was delivered in Q1 2017, will supplement approximately 7,500,000 kg of UNAHCO branded commercial feed, an amount sufficient for about 3,000,000 broiler chickens (full grow) or 350,000 piglets (first month postweaning). Avivagen anticipates further orders from UNAHCO, which should escalate as UNAHCO begins to use OxC-beta in additional lines of complete feeds and in feed premixes.

The total global animal feed production in Avivagen's target species of poultry, swine and cattle to which OxC-beta could be added exceeds 900 million tons[1]. Asia, the Corporation's target market for initial commercialization, is the largest single region representing some 35% of total world animal feed consumption.

The Corporation intends to accelerate market access and the commercial uptake of its OxC-beta™ Livestock product, an innovative product that has the potential to eliminate the use of antibiotics as growth promoters in livestock feed, a problem that needs an urgent solution and which represents a multi-billion dollar market. Goals include executing further commercial and trial alliances in Asia and elsewhere, securing registration in more nations such as the USA and European countries, developing protocols for use in new species and establishing proof-of-concept for human applications. Additionally, Avivagen will pursue additional sales in the countries where OxC-beta™ Livestock is already permitted to be sold for use in livestock feeds (Taiwan, Thailand, and the Philippines).

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. These products are in a class of non-drug nutritional supplements for the United States, under which regulation is through the National Animal Supplement Council (NASC).

The Corporation also generates modest revenues from sales of chemistry products, such as deuterated analytical standards, to various universities and research centres.

<u>Financial Position of the Corporation</u>

<u>Liquidity, Capital Resources and Outlook</u>

The Corporation is an early-stage development corporation and accordingly has not generated significant revenue from its principal products. The Corporation has incurred significant accumulated deficit to date of $(21,633,264). The ability to continue operations is dependent upon obtaining sufficient funding to sustain operations through the development stage, successfully bring technologies to market and achieve profitable operations. The Corporation manages its capital, which consists of cash provided from financing, long-term debt, and research and development repayable funding, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets.

As at 31 January 2017, the Corporation had cash and cash equivalents of $5,467,033.

The Corporation may need to obtain additional financial resources through revenues, operations, and additional equity and/or debt financing or by selling products or licensing technology for cash proceeds.

The Corporation may continue to pursue the raising of capital through the issuance of additional equity or debt financing. The short-term plans are dependent on the ability to access funding to continue operations and development of the principal products. If the Corporation is unable to obtain funding through the issuance of common shares, warrants or stock options exercised, issuance of debt, proceeds from product sales or a licensing arrangement in a timely manner, then these programs and operations in general could be delayed or cease altogether. The Corporation may pursue additional funding to offset portions of the administration cost, and research and development costs. The Corporation expects research and development expenditures to continue for the foreseeable future for expenditures on trials and efficacy studies that will support sales and marketing. As the Corporation moves further into the commercialization phase, this research and development expenditure may ultimately begin to decrease.

Continued uncertainty in the financial and business markets may impact the Corporation's ability to raise additional financing proceeds and it may impact the terms and condition related to the financing.

Ultimate success depends on the ability to bring technology and resulting products to market. Regulation by government is a significant factor in the research, development, manufacture, and marketing of the Corporation's products.

Most of the Corporation's OxC-beta™ technology applications will require regulatory approval before they can be commercialized. Animal feed products, such as OxC-beta™ Livestock, can take several years to receive regulatory approvals in many countries and face a significant degree of uncertainty of receiving approval and subsequent market success. Other applications for OxC-beta™ technology, such as pet

[1]*Alltech 2016 Annual Global Feed Survey, ALLTECH, Nicholasville, Kentucky, USA 40356*

nutraceuticals, may require less data for regulatory approval but need marketing resources and an effective marketing campaign to attain commercial success.

Given the uncertainty, extensive time, and financial expenditures involved in moving the products based on OxC-beta™ technology through the regulatory process from development to market, the Corporation may never be able to successfully develop commercially-viable products. If the Corporation is unable to do so, its business, financial condition, and results of operations would be materially adversely affected. At this time, while the Corporation has demonstrated its ability to raise equity capital and long-term debt, there can be no assurance that further financing would be available to the Corporation when needed, on commercially reasonable terms, or at all. In the absence of an ability to raise sufficient additional funds there is substantial doubt regarding the Corporation's ability to continue. In addition, any equity financing or debt may involve substantial dilution to the Corporation's existing shareholders.

Selected Balance Sheet Data

		As at 31 January 2017		As at 31 October 2016
Cash and cash equivalents	$	5,467,033	$	5,142,401
Total assets	$	5,546,335	$	5,196,195
Non-current portion of Atlantic Canada Opportunities Agency long-term liabilities	$	3,369,518	$	3,369,518
Non-current portion of long-term debt	$	841,584	$	797,694
Total liabilities	$	4,844,935	$	4,795,667
Total shareholders' equity	$	701,400	$	400,528

Atlantic Canada Opportunities Agency Agreements

The Corporation entered into two agreements to obtain repayable funding from the Atlantic Canada Opportunities Agency ("ACOA"). Under the first agreement, the Corporation drew $2,052,131 of which $15,958 was repaid for a remaining obligation of $2,036,173. Under the second agreement, the Corporation drew $1,334,400. The funding portion of both agreements have expired.

Balances outstanding are repayable over a ten-year period, which commenced on 30 June 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. For the year ending 31 October 2016 the total revenues of $161,190 consisted of $150,634 for chemistry products and $10,556 for products based on OxC-beta technology. 10% of $10,556 or $1,055 will be repaid to ACOA on 30 June 2017. Assuming the Corporation repaid the ACOA obligations consistent with management's estimates, with a discount rate of 16%, the fair value of the repayable funding would be $1,945,676 as of 31 January 2017.

Bloom Burton Healthcare Lending Trust Credit Facility

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 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 the first anniversary of the first drawdown but before the second anniversary, the Corporation must pay an additional 4% of any principal amount prepaid; after the second anniversary of the first drawdown but before the third anniversary, the Corporation must pay an additional 3% of any principal amount prepaid; and after the third anniversary of the first drawdown but before the maturity date, the Corporation must pay an additional 2% of any principal amount prepaid.

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

On 13 November 2015, the Corporation drew $1,000,000 and vested 2,777,778 warrants.

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, when the credit facility is drawn, the financial liability will be recorded at its discounted value of 16% with the difference, being the warrants, accounted for as an equity transaction.

Initial recognition of the facility will be at its fair value at a discount rate of 16%. Subsequent recognition will use the effective interest rate model. Transaction and legal costs associated with the facility in the amount of $99,023 have been capitalized 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.

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

2017	$	75,301
2018	$	79,154
2019	$	1,304,265
Total	**$**	**1,458,720**

Obligations

In addition to the ACOA and Bloom Burton loans, the Corporation's major outstanding obligations include accounts payable and accrued liabilities of $557,477 which are due within the current period, and mostly within 30 days.

The Corporation is committed under agreements for the rental of office space and equipment at a monthly rate of $10,561. The agreements will expire on 31 March 2017 and are thereafter on a "month-to-month term." They may be terminated by either party with one month's notice.

Shareholders' Equity

The following reflects the equity transactions for the previous 2 years:

On 1 June 2016, the Corporation completed a private placement of 60,000,000 units for gross proceeds of $3.6 million. The placement had both brokered and non-brokered components. Each unit consisted of one common share and one half common share purchase warrant for a unit price of $0.06. Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of $0.09 for two years. Related parties participated in the financing in the amount of $112,280.

The common shares had a fair value of $0.07 based on the previous 30 days' weighted average price as listed on the TSX.V and the current bid/ask spread and price on 1 June 2016. Based on the gross proceeds of $3.6 million, the relative fair value of the common shares was $2,930,233 and the investor warrants were assigned a relative fair value of $669,767 for a total of $3.6 million.

The Corporation paid agent fees in connection with the transaction in the amount of $225,485 and 3,758,090 agent warrants. These were based on a payment of 7% of the brokered proceeds. The agent warrants were assigned a fair value of $146,566 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for two years at $0.06.

Legal transaction fees for the private placement were $153,832. TSX filing fees were $18,000.

The Black-Scholes calculation was based on the following assumptions: a stock price of $0.07; exercise price for investor warrants $0.09, for finder warrants $0.06; time to maturity of 2 years; annual risk-free interest rate of 0.59% based on Bank of Canada 2-year benchmark bond yield as at 1 June 2016; and historical 2-year stock volatility of 99.4206%

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

Date of Issue of Original Instrument	Subscriber Warrants	Agent Warrants	Stock Options	Exercise Price	Cash Consideration
23-Nov-2011	4,350,000	450,000		$ 0.10	$ 480,000
30-Jan-2012	1,156,000			$ 0.10	$ 115,600
13-Nov-2013	3,435,700			$ 0.12	$ 412,284
16-Dec-2014	918,576			$ 0.06	$ 55,114
16-Dec-2014	417,000			$ 0.10	$ 41,700
20-Aug-2015			1,000	$ 0.065	$ 65
1-Jun-2016	1,666,667			$ 0.09	$ 150,000
1-Jun-2016		374,544		$ 0.06	$ 22,473
	11,943,943	**824,544**	**1,000**		**$ 1,277,236**

Summary of Outstanding Shares and Dilutive Instruments

As of 31 January 2017, the Corporation has 290,654,547 common shares outstanding. As at 22 February 2017, the Corporation has 290,654,547 common shares outstanding. As of 31 January 2017, the Corporation had outstanding 40,940,061 investor warrants, 3,033,420 agent warrants, and 5,000,000 long-term debt warrants for a total of 48,973,471 warrants issued on the terms and exercise price as noted below. As at 22 February 2017, the Corporation had outstanding 40,940,061 investor warrants, 3,033,420 agent warrants, and 5,000,000 long-term debt warrants for a total of 48,973,471 warrants.

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
11-Apr-2014	1,232,144			3	11-Apr-2017	$ 0.12
16-Dec-2014	11,958,000			3	16-Dec-2017	$ 0.10
30-Oct-2015			5,000,000	4	13-Nov-2019	$ 0.11
1-Jun-2016	27,749,917			2	1-Jun-2018	$ 0.09
1-Jun-2016		3,033,420		2	1-Jun-2018	$ 0.06
	40,940,061	**3,033,420**	**5,000,000**			

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 share reserved for issuance for options that may be granted under the Option Plan is 24,480,030.

As at 31 January 2017 and 22 February 2017, the Corporation had 18,426,763 options outstanding, of which 15,151,763 are vested and exercisable.

On 11 March 2013, the Corporation granted 2,424,242 stock appreciation rights (SARs) to an Executive with an exercise price of $0.0825. On 20 May 2014, the Corporation issued 600,000 SARs to the Chairman of the Board of Directors with an exercise price of $0.07. The SARs issued are fully vested. The SARs are redeemable into cash or common shares of the Corporation, at the option of the Corporation. The SARs are exercisable for a five-year period.

Summary of Quarterly Results

	Three Months Ended 31 January 2017	YTD Total 2017
Total Revenue	$62,337	$62,337
Total Comprehensive Profit (Loss)	$(1,020,180)	$(1,020,180)
Net Profit (Loss) per Share (Basic and Diluted)	$(0.004)	$(0.004)

	Three Months Ended				
	31 October 2016	**31 July 2016**	**30 April 2016**	**31 January 2016**	**YTD Total 2016**
Total Revenue	$35,340	$54,458	$51,021	$20,371	$161,190
Total Comprehensive Profit (Loss)	$(765,855)	$(833,409)	$(596,034)	$(557,200)	$(2,752,498)
Net Profit (Loss) per Share (Basic and Diluted)	$(0.002)	$(0.004)	$(0.003)	$(0.003)	$(0.012)

	Three Months Ended				
	31 October 2015	**31 July 2015**	**30 April 2015**	**31 January 2015**	**YTD Total 2015**
Total Revenue	$42,394	$26,290	$68,480	$26,802	$163,966
Total Comprehensive Profit (Loss)	$(519,865)	$(490,276)	$(462,529)	$(531,285)	$(2,003,955)
Net Profit (Loss) per Share (Basic and Diluted)	$(0.003)	$(0.002)	$(0.002)	$(0.003)	$(0.010)

<u>Selected Financial Information</u>

	3 month period ended	
	31 January 2017	**31 January 2016**
Revenue	$ 62,337	$ 20,371
Operating expenses[1]	$ 1,070,175	$ 577,117
Total profit (loss)	$ (1,020,180)	$ (557,200)
Basic and diluted profit (loss) per share	$ (0.004)	$ (0.003)

Note 1: Operating expenses include selling, general, and administration expenses and research and development expenses as disclosed in the statement of comprehensive income.

Results of Operations
3 months ended 31 January 2017 compared to 3 months ended 31 January 2016

	31 January 2017	31 January 2016	Variance Positive/ (Negative)
Revenue			
Chemistry products	$ 23,076	$ 17,450	$ 5,626
OxC-beta products	39,261	2,921	$ 36,340
Total Revenue	$ 62,337	$ 20,371	$ 41,966
Cost of products sold	12,342	454	(11,888)
Gross Margin	**49,995**	**19,917**	**30,078**
Expenses			
Selling, general and administration	877,070	354,754	(522,316)
Research and development	149,214	181,662	32,448
Depreciation of equipment	-	5,003	5,003
Interest on long-term debt	38,448	30,255	(8,193)
Amortization of transaction costs on long-term debt	5,443	5,443	-
Total expenses	**1,070,175**	**577,117**	**(493,058)**
Profit (loss) before income taxes	**(1,020,180)**	**(557,200)**	**(462,980)**
Income Taxes			
Current and deferred income tax expense	-	-	-
Total comprehensive income (Loss) for the period	**(1,020,180)**	**(557,200)**	**(462,980)**

Net loss for the 3 month period ending 31 January 2017 totaled $1,020,180 compared to a net loss of $557,200 for the 3 month period ended 31 January 2016. The difference of $(462,980) is due mainly to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements, and establishment of the China joint venture as well as the accretion of $43,890 in interest related to the long-term debt and increased compensation for certain members of the management team and Board of Directors.

Revenue for the 3 month period ended 31 January 2017 totaled $62,337 compared to $20,371 for the 3 month period ended 31 January 2016. This difference of $41,966 is due to a sale of OxC-beta product to a single customer as well as slightly higher chemistry product sales.

Expenses for the 3 month period ended 31 January 2017 totaled $1,070,175 compared to $577,117 for the 3 month period ended 31 January 2016. The difference of $(493,058) is due mainly to $43,890 in interest related to the long-term debt, increased spending on patent-related expenses and legal fees for intellectual property, trademarks, distribution agreements, and establishment of the China joint venture as well as increased compensation for certain members of the management team and Board of Directors.

The following details the function of expenses for the 3 month periods ended 31 January 2017 and 2016:

For the periods ended:	**31 January 2017**	**31 January 2016**
Selling, general, and administrative		
Salary, wages, and benefits	$ 222,899	$ 177,940
Professional fees and other	556,150	110,291
Board fees	54,205	19,004
Share-based payment and SARs	43,816	47,519
Total selling, general, and administrative	**$ 877,070**	**$ 354,754**
Research and development		
Salary, wages, and benefits	$ 126,200	$ 99,500
Professional fees and other	23,014	82,162
Total research and development	**$ 149,214**	**$ 181,662**

Selling, general and administration expenses, as noted in the table above, were $877,070 for the 3 month period ended 31 January 2017, compared to $354,754 for the 3 month period ended 31 January 2016. Expenses for the period were $522,316 higher due to an increase an increase in legal and professional fees for intellectual property, trademarks, distribution agreements, and establishment of the China joint venture as well as the accretion of $43,890 in interest related to the long-term debt and increased compensation for certain members of the management team and Board of Directors.

Research and development costs were $149,214 for the 3 month period ended 31 January 2017 compared to $181,662 for the 3 month period ended 31 January 2016. Research and development costs were $32,448 lower due mainly to decreased expenses related to research activities to support the OxC-beta™ technology activities offset by an increase in salary expenses for the period.

Board and Management Compensation

For the fiscal year 2017, the Board of Directors is compensated as follows: an annual retainer of $70,000 for the Chairman of the Board of Directors, and an annual retainer of $35,000 for each independent member of the Board. Additional annual retainers are as follows: $12,000 for the chair of the Audit Committee, $10,000 for the chair of the Governance and Compensation Committee, and $5,000 for each committee member paid on a per-committee basis. The Chairman of the Board does not receive any additional retainers.

During the year ended 31 January 2017, the Corporation's officers and directors earned the following compensation for their service as officers and directors:

	Compensation and share-based payments		
Officers and Directors	**3 months ended 31 January 2017**	**3 months ended 31 January 2016**	**Amount Unpaid as at 31 January 2017**
Kym Anthony, Director (Chairman of the Board)	$ 21,448	$ 8,475	$ 0
Chris Boland, Chief Financial Officer	$ 42,953	$ 41,339	$ 0
Graham Burton, Director Commercialization Science	$ 31,900	$ 16,558	$ 0
Janusz Daroszewski, Director Product Development and QA	$ 31,938	$ 17,166	$ 165,000
Vanessa Grant, Director (Chair of Gov. and Comp.)	$ 14,716	$ 9,242	$ 0
Cameron Groome, Chief Executive Officer and President	$ 81,468	$ 44,907	$ 0
Dave Hankinson, Executive Director	$ 13,249	$ 10,148	$ 0
Paul Mesburis, Director (Chair of Audit Committee)	$ 19,282	$ 0	$ 0
Total	**$ 256,954**	**$ 147,835**	**$ 165,000**

Comparison of Cash Flows

		3 months ending 31 January 2017		3 months ending 31 January 2016
Cash Flows from Operating Activities				
Profit (loss) for period	$	(1,020,180)	$	(557,200)
Items not affecting cash				
Share-based compensation	$	43,816	$	47,519
Depreciation of equipment	$	-	$	5,003
Changes in non-cash operating working capital items				
Trade and other accounts receivable	$	(2,705)	$	1,988
Prepaid expenses	$	(24,450)	$	(23,025)
Inventories	$	1,647	$	549
Accounts payable and accrued liabilities	$	77,206	$	(126,741)
Net effect of foreign exchange rates on cash	$	897	$	(3,598)
Total Cash Flows used in Operations - before interest accrued		**(923,769)**		**(655,505)**
Interest accrued and amortization of transaction fees on long-term debt		43,891		35,698
Cash Flows used in Operating Activities		**(879,878)**		**(619,807)**
Cash Flows from Investing Activities		**-**		**-**
Cash Flows from Financing Activities				
Proceeds from research and development repayable funding	$	-	$	47,051
Proceeds from long-term debt	$	-	$	869,547
Repayment of long-term debt	$	(71,829)	$	-
Proceeds from the exercise of share purchase warrants	$	1,277,171	$	-
Proceeds from the exercise of stock options	$	65	$	-
Proceeds from warrants issued with long-term debt	$	-	$	130,453
Transaction fees on long-term debt	$	-	$	(1,252)
Transaction fees on warrants issued with long-term debt	$	-	$	(11,932)
Cash Flows from Financing Activities		**1,205,407**		**1,033,867**
Increase (decrease) in cash during the period	$	325,529	$	414,060
Net effect of exchange rate changes on cash	$	(897)	$	3,598
Cash and cash equivalents, beginning of period	$	5,142,401	$	632,247
Cash and cash equivalents, end of period		**5,467,033**		**1,049,905**

The net cash change relates mainly to $879,878 cash outflow in operating activities, consisting mainly of $1,020,180 in losses offset by $51,698 in changes in working capital as well as $43,891 in accrued interest. Cash inflows from financing activities were $1,205,407, consisting of $1,277,236 in cash proceeds from the exercise of warrants and options offset by $71,829 in interest repaid on the Corporation's long-term credit facility. The Corporation did not have any investing activities in the period.

The Corporation will continue efforts to raise funds by way of generating revenues and/or through the issuance of debt, warrants, and/or common shares. As of 31 January 2017, the Corporation has issued 290,654,547 common shares and has 48,973,481 total warrants outstanding. The Corporation has also granted 18,426,763 stock options and 3,024,242 stock appreciation rights.

Share-based compensation for the year ended 31 January 2017 was $43,816 compared to $47,519 for the year ended 31 January 2016.

Going Concern

The Corporation's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the Corporation's ability to obtain the ongoing support of its lenders, investors, obtain profitable operations, and/or raise additional capital. These financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern. The Corporation has not obtained profitable operation to date. The accumulated deficit is $(21,633,264) as of 31 January 2017 (31 October 2016: $(20,713,612)).

Other Critical Accounting Estimates

The preparation of the Corporation's unaudited consolidated interim financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Corporation's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognized in the unaudited consolidated financial statements.

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

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

Future accounting pronouncements - Standards issued but not yet effective

As at 22 February 2017 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 requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 is effective 1 January 2019. The Corporation has assessed and determined that there will be no impact to the financial statements currently. However, if the Corporation enters into new leases for its facilities, the standard could have an impact on the financial statements. The Corporation expects to adopt the new standard in 2019.

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

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

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

As at 1 November 2015, the Corporation early adopted IFRS 9 *Financial Instruments* as issued by the IASB. In accordance with the transitional provisions in IFRS 9.7.2.15, comparative figures have not been restated. When compared to IAS 39 *Financial Instruments: Recognition and Measurement*, the adoption of IFRS 9 has not resulted in any significant changes to the measurement on the statements of financial position, the statement of comprehensive income (loss), or within the note disclosures.

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

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

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

Events after the Reporting Period of 31 January 2017

Subsequent to the period end, on 22 February 2017, the Board of Directors approved the grant of 800,000 options to new employees. 200,000 of the options will vest over 3 years with a life of five years. 600,000 of the options will vest over 8 quarters with a life of five years.

The Corporation expects to have a settlement obligation (which arose on 9 February 2017) with respect to the previously-announced departure of its Chief Executive Officer for which the timing and amount of the obligation cannot be determined as at 22 February 2017.

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