

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

24 May 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 24 May 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 (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 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 and six month periods ended 30 April 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 Corporation's Annual Information Form filed 19 January 2015, Risk Factor section, pages 18-24 (the "AIF Risk Factors"), which risk factors are incorporated herein by reference. To the extent there is any conflict between the AIF Risk Factors and risks identified in this MD&A, the risks identified in this MD&A will govern.

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", "will", and 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 share consolidation, the Corporation's expectations with respect to future orders of its OxC-beta™ Livestock product, 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 a sole source for manufacturing and reliance on third parties for marketing and distribution of products.

Share Consolidation (Reverse Split)

On 8 May 2017, the Board of Directors approved a 10:1 share consolidation (reverse split) which was effective 12 May 2017. The shareholders approved the consolidation on 11 April 2017. The financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation as required by IAS 10 *Events After the Reporting Period* section 22(f) and IAS 33 *Earnings per Share* section 64-65. Although the consolidation occurred after the reporting period (30 April 2017) but before the statements were authorized for issue (24 May 2017), IFRS requires all prior periods presented on the financial results to be presented as if the consolidation occurred at the start of the first period presented. These financial statements present these results as post-consolidated and also highlights the differences from the pre-consolidated results.

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

	Pre-consolidation	Post-consolidation
Common shares outstanding	290,779,547	29,077,955
Subscriber and agent warrants outstanding	47,741,337	4,774,134
Stock options outstanding	18,830,930	1,883,093
Stock appreciation rights (SARs) outstanding	3,424,242	342,424

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 its lead product, OxC-beta™ Livestock, as an entirely new and novel, non-drug replacement product for the widespread use of in-feed antibiotics for livestock for growth promotion and disease prevention. The use of antibiotics as growth promoters in the feedstock of cattle, swine and poultry has been banned for over 10 years in Europe and their use has more recently become a source of urgent concern to health authorities, governments and consumers, leading them to demand changes now being supported by leading international food processors, retailers and restaurant chains. 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 Corporation's 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 additional 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.

On October 27, 2016, the Corporation announced its first industrial-scale order of OxC-beta™ Livestock 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, Inc. branded commercial feed, an amount sufficient for about 3 million broiler chickens (full grow) or 350,000 piglets (first month post-weaning).

On April 6, 2017, the Corporation announced a second order of OxC-Beta™ Livestock from UNAHCO, Inc. The Corporation expects to complete delivery of this order in Q3 2017. Avivagen anticipates further orders from UNAHCO, Inc. which should escalate as UNAHCO, Inc. begins to use OxC-beta™ Technology in additional lines of complete feeds and in feed premixes.

The Corporation believes that the total global animal feed production in Avivagen's target species of poultry, swine and cattle to which OxC-beta™ Technology could be added exceeds 900 million tons¹. Asia, the Corporation's target market for initial commercialization, is the largest single region representing some 35% of total world animal feed consumption.

For companion animals, the Corporation has created two branded lines of OxC-beta™ Technology products, Vivamune™ Vital Health³ Chews and OximunoI™ 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, which are regulated by the United States 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.

Financial Position of the Corporation

Liquidity, Capital Resources and Outlook

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 \$(23,042,568) (31 October 2016: (20,713,612)). The ability of the Corporation 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.

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

As at 30 April 2017, the Corporation had cash and cash equivalents of \$4,349,492 (31 October 2016: \$5,142,401).

The Corporation will 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 will raise capital through the issuance of additional equity or debt financing. The Corporation's short-term plans are dependent on its 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 will pursue additional funding to offset portions of the administration cost, and research and development costs. The Corporation expects research and development expenditures (including expenditures for regulatory approvals) 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 any financing.

The Corporation's ultimate success depends on its 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 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 nutraceuticals, may require less data for regulatory approval but need marketing resources and an effective marketing campaign to attain commercial success. With Taiwan, Thailand, and the Philippines approved for distribution, the corporation is actively working to gain approval in other Asian jurisdictions such as Vietnam, South Korea and Indonesia. In concert with this strategy, the corporation recently retained a consultant, Dr. Edward Robb, CEO of BioPharmaPotentials, whose primary focus is to help expedite the approval process within the United States.

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 will involve substantial dilution to the Corporation's existing shareholders.

Selected Balance Sheet Data

	As at	As at
	30 April 2017	31 October 2016
Cash and cash equivalents	\$ 4,349,492	\$ 5,142,401
Total assets	\$ 4,449,023	\$ 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	\$ 866,209	\$ 797,694
Total liabilities	\$ 5,141,837	\$ 4,795,667
Total shareholders' equity	\$ (692,814)	\$ 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 has 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 less a \$60 overpayment from the previous period, or \$995, 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 \$2,019,227 as of 30 April 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 500,000 warrants (pre-consolidation: 5,000,000) will vest as the credit facility is drawn down at an exercise price of \$1.10 (pre-consolidation: \$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 277,778 warrants (pre-consolidation: 2,777,778). 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	\$	37,339
2018	\$	78,165
2019	\$	82,164
2020	\$	1,242,425
Total	\$	1,440,093

Obligations

In addition to the ACOA and Trust loans, the Corporation's major outstanding obligations include accounts payable and accrued liabilities of \$828,802 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 \$10,932 for the 2017 fiscal year. The agreements will expire on 31 March 2020. They may be terminated by either party with nine months' notice. This operating lease, as the lessee, requires rental payments over the life of the lease as follows:

2017	\$	65,593
2018	\$	132,590
2019	\$	135,024

2020	\$	56,685
Total	\$	389,892

Shareholders' Equity

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

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

The common shares had a fair value of \$0.70 (pre-consolidation: \$0.07) based on the previous 30 days' weighted average price as listed on the TSX.V and the current bid/ask spread and price on 1 June 2016. Based on the gross proceeds of \$3.6 million, the relative fair value of the common shares was \$2,930,233 and the investor warrants were assigned a relative fair value of \$669,767 for a total of \$3.6 million. The Corporation paid agent fees in connection with the transaction in the amount of \$225,485.40 and 375,809 agent warrants (pre-consolidation: 3,758,090 agent warrants). These were based on a payment of 7% of the brokered proceeds. The agent warrants were assigned a fair value of \$146,566 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for two years at \$0.60 (pre-consolidation: \$0.06). Legal transaction fees for the private placement were \$153,832. TSX filing fees were \$18,000.

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

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

During the three and six-month period ending 30 April 2017, certain warrants and stock options were exercised for common shares. The details of the instruments exercised are indicated below on a post-consolidated basis:

Post-consolidation

Date of Issue of Original Instrument	Subscriber Warrants	Agent Warrants	Stock Options	Exercise Price	Cash Consideration
23-Nov-2011	435,000	45,000		\$ 1.00	\$ 480,000
30-Jan-2012	115,600			\$ 1.00	\$ 115,600
13-Nov-2013	343,570			\$ 1.20	\$ 412,284
11-Apr-2014	12,500			\$ 1.20	\$ 15,000
16-Dec-2014	91,858			\$ 0.60	\$ 55,114
16-Dec-2014	41,700			\$ 1.00	\$ 41,700
20-Aug-2015			100	\$ 0.65	\$ 65
1-Jun-2016	166,667			\$ 0.90	\$ 150,000
1-Jun-2016		37,454		\$ 0.60	\$ 22,473
	1,206,895	82,454	100		\$ 1,292,236

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

Pre-consolidation

Date of Issue of Original Instrument	Subscriber Warrants	Agent Warrants	Stock Options	Exercise Price	Cash Consideration
23-Nov-2011	4,350,000	450,000		\$ 0.10	\$ 480,000
30-Jan-2012	1,156,000			\$ 0.10	\$ 115,600
13-Nov-2013	3,435,700			\$ 0.12	\$ 412,284
11-Apr-2014	125,000			\$ 0.12	\$ 15,000
16-Dec-2014	918,576			\$ 0.06	\$ 55,114
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
	12,068,943	824,544	1,000		\$ 1,292,236

Summary of Outstanding Shares and Dilutive Instruments

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

As of 30 April 2017 on a post-consolidated basis, the Corporation had 29,077,955 common shares outstanding. As at 24 May 2017, the Corporation has 29,098,996 common shares outstanding. As of 30 April 2017, the Corporation had outstanding 3,970,792 investor warrants, 303,342 agent warrants, and 500,000 long-term debt warrants for a total of 4,774,134 warrants issued on the terms and exercise price as noted below. As at 24 May 2017, the Corporation had outstanding 3,970,792 investor warrants, 293,342 agent warrants, and 500,000 long-term debt warrants for a total of 4,764,134 warrants.

Post-consolidation

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
16-Dec-2014	1,195,800			3	16-Dec-2017	\$ 1.00
30-Oct-2015			500,000	4	13-Nov-2019	\$ 1.10
1-Jun-2016	2,774,992			2	1-Jun-2018	\$ 0.90
1-Jun-2016		303,342		2	1-Jun-2018	\$ 0.60
	3,970,792	303,342	500,000			

As of 30 April 2017 on a pre-consolidation basis, the Corporation has 290,779,547 common shares outstanding. As at 24 May 2017 on a pre-consolidation basis, the Corporation has 290,989,963 common shares outstanding. The following table reflect the pre-consolidation warrants outstanding:

Pre-consolidation

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
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
	39,707,917	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 2,448,003 (pre-consolidation: 24,480,030).

As at 30 April 2017, the Corporation had 1,883,093 options outstanding, of which 1,568,093 are vested and exercisable (pre-consolidation: 18,830,930 outstanding, 15,680,930 vested and exercisable). As at 24 May 2017, the Corporation had 1,872,051 options outstanding, of which 1,557,091 are vested and exercisable (pre-consolidation: 18,720,514 outstanding, 15,570,914 vested and exercisable)

On 11 March 2013, the Corporation granted 242,424 stock appreciation rights (SARs) to the then-Chief Executive Officer with an exercise price of \$0.825 (pre-consolidation: 2,424,242 at \$0.0825). On 20 May 2014, the Corporation issued 60,000 SARs to the Chairman of the board of directors with an exercise price of \$0.70 (pre-consolidation: 600,000 at \$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 with year-to-date (YTD)		
	30 April 2017	31 January 2017	YTD Total 2017
Total Revenue	\$39,563	\$62,337	\$101,900
Total Comprehensive Profit (Loss)	\$(1,450,711)	\$(1,020,180)	\$(2,470,891)
<i>Post-consolidation</i>			
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.050)	\$(0.035)	\$(0.085)
<i>Pre-consolidation</i>			
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.005)	\$(0.0035)	\$(0.0085)

	Three Months Ended with year-to-date (YTD)				
	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)
<i>Post-consolidation</i>					
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.020)	\$(0.040)	\$(0.030)	\$(0.030)	\$(0.120)
<i>Pre-consolidation</i>					
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.002)	\$(0.004)	\$(0.003)	\$(0.003)	\$(0.012)

Three Months Ended with year-to-date (YTD)

	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)
Post-consolidation					
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.030)	\$(0.020)	\$(0.020)	\$(0.030)	\$(0.100)
Pre-consolidation					
Net Profit (Loss) per Share (Basic and Diluted)	\$(0.003)	\$(0.002)	\$(0.002)	\$(0.003)	\$(0.010)

Selected Financial Information (unaudited)

	3 month period ended	
	30 April 2017	30 April 2016
Revenue	\$ 39,563	\$ 51,021
Operating expenses ¹	\$ 1,488,083	\$ 646,895
Total profit (loss)	\$ (1,450,711)	\$ (596,034)
Post-consolidation		
Basic and diluted profit (loss) per share	\$ (0.050)	\$ (0.030)
Pre-consolidation		
Basic and diluted profit (loss) per share	\$ (0.005)	\$ (0.003)
	6 month period ended	
	30 April 2017	30 April 2016
Revenue	\$ 101,900	\$ 71,392
Operating expenses ¹	\$ 2,558,258	\$ 1,224,012
Total profit (loss)	\$ (2,470,891)	\$ (1,153,234)
Post-consolidation		
Basic and diluted profit (loss) per share	\$ (0.085)	\$ (0.061)
Pre-consolidation		
Basic and diluted profit (loss) per share	\$ (0.0085)	\$ (0.0061)

Note 1: Operating expenses include selling, general, and administration expenses; research and development expenses; interest on long-term debt; and depreciation as disclosed in the unaudited statement of comprehensive income.

Results of Operations (Unaudited)**3 months ended 30 April 2017 compared to 3 months ended 30 April 2016**

	3 months ended 30 April 2017	3 months ended 30 April 2016	Variance Positive/ (Negative)
Revenue			
Chemistry products	\$ 34,034	\$ 49,420	\$ (15,386)
OxC-beta products	5,529	1,601	\$ 3,928
Total Revenue	<u>\$ 39,563</u>	<u>\$ 51,021</u>	<u>\$ (11,458)</u>
Cost of products sold	2,191	160	(2,031)
Gross Margin	<u>37,372</u>	<u>50,861</u>	<u>(13,489)</u>
Expenses			
Selling, general and administration	1,253,063	459,798	(793,265)
Research and development	190,816	141,633	(49,183)
Depreciation of plant and equipment	-	3,720	3,720
Interest on long-term debt	38,761	36,301	(2,460)
Amortization of transaction costs on long-term debt	5,443	5,443	-
Total expenses	<u>1,488,083</u>	<u>646,895</u>	<u>(841,188)</u>
Profit (loss) before income taxes	<u>(1,450,711)</u>	<u>(596,034)</u>	<u>(854,677)</u>
Income Taxes			
Current and deferred income tax expense	-	-	-
Total comprehensive income (Loss) for the period	<u>(1,450,711)</u>	<u>(596,034)</u>	<u>(854,677)</u>

Net loss for the 3 month period ending 30 April 2017 totaled \$1,450,711 compared to a net loss of \$596,034 for the 3 month period ended 30 April 2016. The difference of \$(854,677) is due mainly to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements and an employment termination expense as well as the accretion of \$38,761 in interest related to the long-term debt and increased compensation for certain members of the management team and non-management members of the board of directors.

Revenue for the 3 month period ended 30 April 2017 totaled \$39,563 compared to \$51,021 for the 3 month period ended 30 April 2016. This difference of \$(11,458) is due to slightly lower chemistry product sales.

Expenses for the 3 month period ended 30 April 2017 totaled \$1,488,083 compared to \$646,895 for the 3 month period ended 30 April 2016. The difference of \$(841,188) is due mainly to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements; establishment of the China joint venture; and an employment termination expense as well as the accretion of \$38,761 in interest related to the long-term debt and increased compensation for certain members of the management team and non-management members of the board of directors.

6 months ended 30 April 2017 compared to 6 months ended 30 April 2016 (Unaudited)

	6 months ended 30 April 2017	6 months ended 30 April 2016	Variance Positive/ (Negative)
	\$ CDN	\$ CDN	\$ CDN
Revenue			
Chemistry products	\$ 57,110	\$ 66,870	\$ (9,760)
OxC-beta products	\$ 44,790	\$ 4,522	\$ 40,268
Total Revenue	\$ 101,900	\$ 71,392	\$ 30,508
Cost of OxC-beta products sold	14,533	614	(13,919)
Gross Margin	87,367	70,778	16,589
Expenses			
Selling, general and administration	\$ 2,130,133	\$ 814,552	(1,315,581)
Research and development	\$ 340,030	\$ 323,295	(16,735)
Depreciation of plant and equipment	\$ -	\$ 8,723	8,723
Interest on long-term debt	\$ 77,209	\$ 66,556	(10,653)
Amortization of transaction costs on long-term debt	\$ 10,886	\$ 10,886	-
Total expenses	2,558,258	1,224,012	(1,334,246)
Income (loss) before income taxes	(2,470,891)	(1,153,234)	(1,317,657)
Income Taxes			
Current and deferred income tax expense	-	-	-
Total comprehensive income (Loss) for the period	(2,470,891)	(1,153,234)	(1,317,657)

Net loss for the 6 month period ending 30 April 2017 totaled \$2,470,891 compared to a net loss of \$1,153,234 for the 6 month period ended 30 April 2016. The difference of \$(1,317,657) is due mainly to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements and an employment termination expense as well as the accretion of \$38,761 in interest related to the long-term debt and increased compensation for certain members of the management team and non-management members of the board of directors

Revenue for the 6 month period ended 30 April 2017 totaled \$101,900 compared to \$71,392 for the 6 month period ended 30 April 2016. This difference of \$30,508 is due to slightly lower chemistry product sales offset with sales of OxC-beta™ Technology product to a single customer.

Expenses for the 6 month period ended 30 April 2017 totaled \$2,558,258 compared to \$1,224,012 for the 6 month period ended 30 April 2016. The difference of \$(1,334,246) is due mainly to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements; establishment of the China joint venture; and an employment termination expense as well as the accretion of \$77,209 in interest related to the long-term debt and increased compensation for certain members of the management team and non-management members of the board of directors.

The following details the function of expenses for the 3 and 6 month periods ended 30 April 2017 and 2016 (unaudited):

	3 months ending		6 months ending	
	30 April 2017	30 April 2016	30 April 2017	30 April 2016
For the periods ended:				
Selling, general, and administrative				
Salary, wages, and benefits	\$ 520,826	\$ 174,017	\$ 743,725	\$ 351,957
Professional fees and other	\$ 648,655	\$ 245,816	\$ 1,204,805	\$ 356,107
Board fees	\$ 42,085	\$ 7,841	\$ 96,290	\$ 26,845
Share-based payment	\$ 41,497	\$ 32,124	\$ 85,313	\$ 79,643
Total selling, general, and administrative	\$ 1,253,063	\$ 459,798	\$ 2,130,133	\$ 814,552
Research and development				
Salary, wages, and benefits	\$ 129,387	\$ 97,648	\$ 255,587	\$ 197,148
Professional fees and other	\$ 61,429	\$ 43,985	\$ 84,443	\$ 126,147
Total Research and development	\$ 190,816	\$ 141,633	\$ 340,030	\$ 323,295

Selling, general and administration expenses, as noted in the table above, were \$1,253,063 for the 3 month period ended 30 April 2017, compared to \$459,798 for the 3 month period ended 30 April 2016.

Expenses for the period were \$793,265 higher due to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements, and an employment termination expense and increased compensation for certain members of the management team and non-management members of the board of directors.

Selling, general and administration expenses, as noted in the table above, were \$2,130,133 for the 6 month period ended 30 April 2017, compared to \$814,552 for the 6 month period ended 30 April 2016. Expenses for the period were \$1,315,581 higher due to an increase in legal and professional fees for intellectual property, trademarks, distribution agreements, and an employment termination expense and increased compensation for certain members of the management team and non-management members of the board of directors.

Research and development costs were \$190,816 for the 3 month period ended 30 April 2017 compared to \$141,633 for the 3 month period ended 30 April 2016. Research and development costs were \$49,183 higher due mainly to increased expenses related to research activities to support the OxC-beta™ Technology activities as well as an increase in salary expenses for the period.

Research and development costs were \$340,030 for the 6 month period ended 30 April 2017 compared to \$323,295 for the 6 month period ended 30 April 2016. Research and development costs were \$16,735 higher due mainly to a decrease in lab supply expenses 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 non-management 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. The Lead Director also receives an additional \$25,000 per year.

During the 3 and 6 month periods ended 30 April 2017, the Corporation's officers and directors earned the following compensation for their service as officers and directors:

	Compensation and share-based payments		
	3 months ended 30 April 2017	6 months ended 30 April 2017	Amount Unpaid as at 31 April 2017
Officers and Directors			
Kym Anthony, Interim CEO, Director (Chairman of the Board)	\$ 92,763	\$ 114,210	\$ 0
Chris Boland, Chief Financial Officer	\$ 51,980	\$ 94,933	\$ 0
Graham Burton, Chief Scientific Officer	\$ 31,295	\$ 63,195	\$ 0
Janusz Daroszewski, Director Product Development and QA	\$ 31,333	\$ 63,271	\$ 165,000
Vanessa Grant, Director (Chair of Gov. and Comp.)	\$ 13,805	\$ 28,521	\$ 0
Cameron Groome, Chief Executive Officer and President ¹	\$ 320,637	\$ 337,570	\$ 303,704
Dave Hankinson, Executive Director	\$ 11,736	\$ 24,985	\$ 0
Paul Mesburis, Director (Chair of Audit Committee)	\$ 25,211	\$ 44,493	\$ 0
David Kraws, Director	\$ 1,667	\$ 1,667	\$ 1,667
Total	\$ 580,427	\$ 772,845	\$ 470,371

Note 1: As at 30 April 2017 and 24 May 2017, Mr. Groome was neither Chief Executive Officer nor a member of the Board of Directors.

Comparison of Cash Flows (unaudited)

	3 months ending April 30, 2017	3 months ending April 30, 2016	6 months ending April 30, 2017	6 months ending April 30, 2016
Cash Flows from Operating Activities				
Profit (loss) for period	\$ (1,450,711)	\$ (596,034)	\$ (2,470,891)	\$ (1,153,234)
Items not affecting cash				
Share-based compensation	\$ 41,497	\$ 32,124	\$ 85,313	\$ 79,643
Depreciation of equipment	\$ -	\$ 3,720	\$ -	\$ 8,723
Changes in non-cash operating working capital items				
Trade and other accounts receivable	\$ (14,456)	\$ 15,623	\$ (17,161)	\$ 17,611
Prepaid expenses	\$ 7,176	\$ 7,368	\$ (17,274)	\$ (15,657)
Inventories	\$ (12,949)	\$ (495)	\$ (11,302)	\$ 54
Accounts payable and accrued liabilities	\$ 271,325	\$ 80,257	\$ 348,531	\$ (46,484)
Net effect of foreign exchange rates on cash	\$ 2,684	\$ -	\$ 3,581	\$ -
Total Cash Flows used in Operations - before interest accrued	(1,155,434)	(457,437)	(2,079,203)	(1,109,344)
Interest accrued and amortization of transaction fees on long-term debt	44,204	41,744	88,095	77,442
Cash Flows used in Operating Activities	(1,111,230)	(415,693)	(1,991,108)	(1,031,902)
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	\$ (18,627)	\$ -	\$ (90,456)	\$ -
Proceeds from the exercise of share purchase warrants	\$ 15,000	\$ -	\$ 1,292,171	\$ -
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	(3,627)	-	1,201,780	1,033,867
Increase (decrease) in cash during the period	\$ (1,114,857)	\$ (415,693)	\$ (789,328)	\$ 1,965
Net effect of exchange rate changes on cash	\$ (2,684)	\$ -	\$ (3,581)	\$ -
Cash and cash equivalents, beginning of period	\$ 5,467,033	\$ 1,049,905	\$ 5,142,401	\$ 632,247
Cash and cash equivalents, end of period	4,349,492	634,212	4,349,492	634,212

The net cash change relates mainly to \$1,111,230 cash outflow in operating activities, consisting mainly of \$1,450,711 in losses offset by \$251,096 in changes in working capital as well as \$44,204 in accrued interest. Cash outflows from financing activities were \$3,627, consisting of \$15,000 in cash proceeds from the exercise of warrants offset by \$18,627 in interest repaid on the Corporation's long-term credit facility. The Corporation did not have any investing activities in the period. There were no investing activities in the reporting periods.

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 30 April 2017 on a post-consolidation basis, the Corporation has issued 29,077,955 common shares and has 4,774,134 total warrants outstanding. The Corporation has also granted 1,883,093 stock options and 302,424 stock appreciation rights.

Share-based compensation for the 3 month period ended 30 April 2017 was \$41,497 compared to \$85,313 for the 3 month period ended 30 April 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 Corporation's accumulated deficit is \$(23,042,568) as of 30 April 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 judgments, which have 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 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 24 May 2017, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have either not been adopted by the Corporation or, in certain cases, have been early-adopted.

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

The International Accounting Standards Board issued on 13 January 2016 a new accounting standard called IFRS 16 *Leases*. IFRS 16 *Leases* replaces IAS 17 *Leases*. IFRS 16 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 an impact to the financial statements when adopted since the Corporation entered into new leases for its facilities on March 31, 2017. The impact would be the present value of the commitments disclosed in Note 22. 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 30 April 2017

On 8 May 2017, the Board of Directors approved a 10:1 share consolidation (reverse split) which was effective 12 May 2017. The shareholders approved the consolidation on 11 April 2017. The financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation as required by IAS 10 *Events After the Reporting Period* section 22(f) and IAS 33 *Earnings per Share* section 64-65. Although the consolidation occurred after the reporting period (30 April 2017) but before the statements were authorized for issue (24 May 2017), IFRS requires all prior periods presented on the financial results to be presented as if the consolidation occurred at the start of the first period presented. These financial statements present these results as post-consolidated and also highlights the differences from the pre-consolidated results.

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

On 12 May 2017, 5,208 stock options were exercised at \$0.65 per share and 5,833 stock options were exercised at \$0.80 per share for a total of 11,041 shares issued in exchange for \$14,052 in cash consideration. (pre-consolidation: 52,083 options at \$0.065 per share and 58,333 options at \$0.08 per share).

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