Avivagen Inc.

Unaudited Interim Financial Statements

April 30, 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Management's Statement of Responsibility

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

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

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

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

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

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

APPROVED BY

(Signed)

Kym Anthony CEO

(Signed)

Chris Boland CFO (CPA, CA, CMA)

Unaudited Interim Statements of Total Comprehensive Loss

For the three and six months ended April 30, 2020 and April 30, 2019
(Expressed in Canadian dollars, except share amounts)

	Note	3 months ended April 30, 2020	3 months ended April 30, 2019	6 months ended April 30, 2020	6 months ended April 30, 2019
Revenues	**3(b), 6**	$ 29,625	$ 303,984	$ 277,430	$ 626,109
Cost of products sold	**12**	14,693	149,705	161,203	288,668
Gross margin		**14,932**	**154,279**	**116,227**	**337,441**
Selling, general, and administration	**7**	930,264	927,226	1,881,592	1,979,183
Research	**7**	121,469	285,858	294,242	444,147
Depreciation of equipment	**13**	1,159	1,159	2,318	2,318
Depreciation of right-of-use assets	**5, 14**	30,075	-	60,150	-
Finance cost (net)	**8**	290,470	232,955	568,210	346,509
Investment loss in associate	**24**	34,992	-	34,992	-
Total expenses		**1,408,429**	**1,447,198**	**2,841,504**	**2,772,157**
Total loss before income taxes		**(1,393,497)**	**(1,292,919)**	**(2,725,277)**	**(2,434,716)**
Income taxes					
Current and deferred income tax expense	**3(c), 9**	-	-	-	-
Total comprehensive loss for the period		**(1,393,497)**	**(1,292,919)**	**(2,725,277)**	**(2,434,716)**
Loss per share, basic and diluted	**10**	**$ (0.03)**	**$ (0.04)**	**$ (0.07)**	**$ (0.07)**
Weighted average common shares issued and outstanding basic and diluted	**10**	41,541,522	33,809,452	38,898,641	34,064,882

Unaudited Interim Statements of Financial Position

As at April 30, 2020 and October 31, 2019 (Expressed in Canadian dollars)

	Note	April 30, 2020 (unaudited)	October 31, 2019 (Audited)
Assets			
Current Assets			
Cash and cash equivalents	**25**	1,521,168	1,085,945
Trade and other accounts receivable	**11**	140,880	133,134
Inventories	**12**	364,148	451,517
Prepaid expenses		185,451	45,516
Total Current Assets		**2,211,647**	**1,716,112**
Non-current Assets			
Equipment	**13**	213,544	171,567
Right-of-use asset	**5, 14**	245,823	-
Total Non-current Assets		**459,367**	**171,567**
Total Assets		**2,671,014**	**1,887,679**
Liabilities and Shareholders' Equity (Deficiency)			
Current Liabilities			
Accounts payables and accrued liabilities	**15**	573,729	556,208
Investment in associate	**24**	34,993	-
Current portion of research and development repayable funding	**16**	97,745	97,745
Current portion of lease liabilities	**5, 17**	124,818	-
Current portion of long-term debt	**18**	644,370	647,937
Total Current Liabilities		**1,475,655**	**1,301,890**
Non-current Liabilities			
Research and development repayable funding	**16**	300,370	237,292
Lease liabilities	**17**	116,980	-
Long-term debt	**18**	3,735,462	3,604,712
Total Non-current Liabilities		**4,152,812**	**3,842,004**
Total Liabilities		**5,628,467**	**5,143,894**
Shareholders' Equity (Deficiency)			
Share capital	**19**	26,505,348	23,956,537
Contributed surplus	**20, 21**	3,756,852	3,449,947
Reserve	**23**	-	350,000
Accumulated deficit		(33,219,653)	(31,012,699)
Total Shareholders' Equity (Deficiency)		**(2,957,453)**	**(3,256,215)**
Total Liabilities and Shareholders' Equity (Deficiency)		**2,671,014**	**1,887,679**

Going Concern - Note 1

Unaudited Interim Statements of Changes in Equity
For the three and six months ended April 30, 2020 and April 30, 2019
(Expressed in Canadian dollars, except for shares outstanding)

	Shares Outstanding	Share Capital	Reserve	Contributed Surplus				Accumulated Deficit	Total Shareholders Equity (Deficiency)
				Warrants	*Stock Options*	*Stock Appreciation Rights*	Total Contributed Surplus		
Note Reference	*19*	*19*	*23*	*20*	*21*	*21*			
Balance as at October 31, 2018	**33,565,128**	**$ 22,963,948**	**$ 250,000**	$ 2,110,974	$ 1,132,784	$ 31,800	**$ 3,275,558**	**$ (26,395,727)**	**$ 93,779**
Loss for the period from operations								$ (1,141,797)	$ (1,141,797)
Vesting of share-based payments					$ 82,820		$ 82,820		$ 82,820
Options expired in the period					$ (15,817)		$ (15,817)	$ 15,817	$ -
Balance as at January 31, 2019	**33,565,128**	**$ 22,963,948**	**$ 250,000**	$ 2,110,974	$ 1,199,787	$ 31,800	**$ 3,342,561**	**$ (27,521,707)**	**$ (965,198)**
Loss for the period from operations								$ (1,292,919)	$ (1,292,919)
Common shares issued with long-term debt	1,342,206	$ 1,075,600							$ 1,075,600
Issuance cost of common shares		$ (67,824)							$ (67,824)
Equity portion of agent warrants with long-term debt		$ (15,187)		$ 75,933			$ 75,933		$ 60,746
Vesting of share-based payments					$ 54,736		$ 54,736		$ 54,736
Options expired in the period					$ (28,099)		$ (28,099)	$ 28,099	$ -
Balance as at April 30, 2019	**34,907,334**	**$ 23,956,537**	**$ 250,000**	$ 2,186,907	$ 1,226,424	$ 31,800	**$ 3,445,131**	**$ (28,786,527)**	**$ (1,134,859)**
Loss for the period from operations								$ (1,278,685)	$ (1,278,685)
Vesting of share-based payments					$ 89,692		$ 89,692		$ 89,692
Stock Appreciation Rights and options expired in the period					$ (143,732)	$ (31,800)	$ (175,532)	$ 175,532	$ -
Balance as at July 31, 2019	**34,907,334**	**$ 23,956,537**	**$ 250,000**	$ 2,186,907	$ 1,172,384	$ -	**$ 3,359,291**	**$ (29,889,680)**	**$ (2,323,852)**
Loss for the period from operations								$ (1,123,019)	$ (1,123,019)
Common shares reserved for issuance			$ 100,000						$ 100,000
Vesting of share-based payments					$ 90,656		$ 90,656		$ 90,656
Balance as at October 31, 2019	**34,907,334**	**$ 23,956,537**	**$ 350,000**	$ 2,186,907	$ 1,263,040	$ -	**$ 3,449,947**	**$ (31,012,699)**	**$ (3,256,215)**
Loss for the period from operations								$ (1,331,780)	$ (1,331,780)
Common shares issued in private placement	6,000,000	$ 3,000,000							$ 3,000,000
Investor warrants issued in private placement		$ (593,986)		$ 593,986			$ 593,986		$ -
Agent warrants issued in private placement		$ (125,353)		$ 125,353			$ 125,353		$ -
Issuance cost of share capital		$ (189,410)		$ (47,062)			$ (47,062)		$ (236,472)
Common shares issued	580,645	$ 350,000	$ (350,000)						$ -
Vesting of share-based payments					$ 58,464		$ 58,464		$ 58,464
Warrants expired in the period				$ (518,323)			$ (518,323)	$ 518,323	$ -
Balance as at January 31, 2020	**41,487,979**	**$ 26,397,788**	**$ -**	$ 2,340,861	$ 1,321,504	$ -	**$ 3,662,365**	**$ (31,826,156)**	**$ (1,766,003)**
Loss for the period from operations								$ (1,393,497)	$ (1,393,497)
Common shares issued	165,874	$ 107,560							$ 107,560
Vesting of share-based payments					$ 94,487		$ 94,487		$ 94,487
Balance as at April 30, 2020	**41,653,853**	**$ 26,505,348**	**$ -**	$ 2,340,861	$ 1,415,991	$ -	**$ 3,756,852**	**$ (33,219,653)**	**$ (2,957,453)**

Unaudited Interim Statements of Cash Flows

For the three and six months ended April 30, 2020 and April 30, 2019 (Expressed in Canadian dollars)

	Note	3 months ended April 30, 2020	3 months ended April 30, 2019	6 months ended April 30, 2020	6 months ended April 30, 2019
Cash Flows from (used in) Operating Activities					
Net loss		$ (1,393,497)	$ (1,292,919)	$ (2,725,277)	$ (2,434,716)
Items not affecting cash and non-cash adjustments:					
Depreciation of equipment	**13**	1,159	1,159	2,318	2,318
Depreciation of right-of-use assets	**14**	30,075	-	60,150	-
Share-based compensation	**21**	94,487	54,736	152,951	137,556
Finance cost, net of deposit interest and fees settled in equity	**8**	189,421	232,955	468,723	346,509
Maintenance fees on long-term debt settled in equity	**18**	107,560	-	107,560	-
Equity investment in associate	**24**	34,992	-	34,992	-
Net effect of foreign exchange rates on cash		(5,719)	(3,963)	(13,688)	1,943
Changes in operating working capital items:					
Trade and other accounts receivable	**11**	36,564	48,625	(7,746)	150,639
Inventories	**12**	58,291	44,803	87,369	192,134
Prepaid expenses		25,201	15,209	(139,935)	(15,167)
Accounts payable and accrued liabilities	**15**	(156,898)	(239,153)	17,521	(249,691)
Cash Flows from (used in) Operating Activities		**(978,364)**	**(1,138,548)**	**(1,955,062)**	**(1,868,475)**
Cash Flows used in Investing Activities					
Purchase of equipment	**13**	(20,961)	-	(44,295)	-
Cash Flows used in Investing Activities		**(20,961)**	**-**	**(44,295)**	**-**
Cash Flows from (used in) Financing Activities					
Proceeds from the issuance of private placement units	**19**	-		3,000,000	-
Share issuance cost	**19**	-	-	(236,472)	-
Proceeds from the issuance of long-term debt	**18**	-	4,302,400		4,302,400
Proceeds from common shares issued with long-term debt	**18**	-	1,075,600	-	1,075,600
Transaction fees on the issuance of long-term debt	**18**	-	(397,567)	-	(397,567)
Warrants issued with long-term debt	**18**	-	60,746	-	60,746
Settlement of principal and accrued interest on long-term debt	**18**	-	(2,034,929)	-	(2,034,929)
Repayment of interest on long-term debt	**18**	(132,246)	(83,355)	(267,619)	(118,024)
Payment of lease liabilities	**17**	(31,982)	-	(75,017)	-
Cash Flows from (used in) Financing Activities		**(164,228)**	**2,922,895**	**2,420,892**	**2,888,226**
Increase (decrease) in cash and cash equivalents during the period		(1,163,553)	1,784,347	421,535	1,019,751
Net effect of exchange rate changes on cash and cash equivalents		5,719	3,963	13,688	(1,943)
Cash and cash equivalents, beginning of period		2,679,002	1,436,891	1,085,945	2,207,393
Cash and cash equivalents, end of period	**25**	**$ 1,521,168**	**$ 3,225,201**	**$ 1,521,168**	**$ 3,225,201**

Notes to the Unaudited Interim Financial Statements
In Canadian dollars, for the three and six months ended April 30, 2020 and April 30, 2019

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

The Corporation is a life-sciences company that is developing and commercializing products to replace antibiotics in livestock feeds to optimize the health and growth of the animals by supporting the animal's own health defences. The Corporation has also created products intended to improve or maintain quality of life in companion animals.

Going concern

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

The Corporation has not obtained profitable operations to date. For the three months ended April 30, 2020, the Corporation had a net loss from all operations of $(1,393,498) (three months ended April 30, 2019: $(1,292,919)). For the six months ended April 30, 2020, the Corporation had a net loss from all operations of $(2,725,278) (six months ended April 30, 2019: $(2,434,716)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is $(33,219,654) as of April 30, 2020 (October 31, 2019: $(31,012,699)). These circumstances represent material uncertainties that cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern entity. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry out its business objectives and was successful in raising additional equity and debt financing in the current and prior fiscal year. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to obtain the ongoing support of its lenders and investors, obtain profitable operations, generate significant sales and/or raise additional capital. These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of preparation and statement of compliance
The unaudited interim financial statements have been prepared on a historical cost basis.

The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, London and the Interpretations of the International Financial Reporting Interpretations Committee and in effect on the date when approved by the Board of Directors. The Board of Directors approved the unaudited interim financial statements on June 2, 2020.

3. Summary of significant accounting policies

(A) Foreign currency translation
The unaudited interim financial statements are presented in Canadian dollars. The functional currency of the Corporation is the Canadian dollar. Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of total comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(B) Revenue recognition
Revenues are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over (1) the use of the products, (2) the channel, and/or (3) the final price to sell the products, all sales are final, and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location requested by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Corporation has objective evidence that all criteria for acceptance have been satisfied. All of the Corporation's sales and performance obligations occur as at a point in time. As at the end of the reporting period, there are no unfulfilled performance obligations extending beyond a year. The Corporation's products are sold without any subsequent pricing adjustments and accordingly there has been no variable consideration assessment. No element of financing is deemed present, as all sales require advance payment, an irrevocable letter of credit, or payment within 30 to 60 days. The Corporation's only obligation is to provide an exchange for products under the standard assurance warranty terms and conditions. The warranty requirements, if any, are recognized as a provision under IFRS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. A receivable is recognized when the goods are controlled by the customer. This is the point in time that the

consideration is unconditional as only the passage of time is required before payment is due. All advance payments, if any, are recorded as a liability called deferred revenue.

(C) Taxes

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

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

(D) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Corporation has an interest-free repayable funding obligation from the Government of Canada Atlantic Canada Opportunities Agency (ACOA). The liability related to each individual drawdown of the facility was recorded at its fair value as of each respective drawdown date. The Corporation used the assumption of a 35% discount rate and future projected revenues to determine the fair value. The difference between the amount received in cash on each drawdown date and the related fair value was considered a government grant and was recognized as an item of income in the respective statements of total comprehensive loss. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment.

Scientific Research and Experimental Development (SRED), Industrial Research Assistance Program (IRAP) funding from the Government of Canada, the CanExport SME program, the Canadian Emergency Wage Subsidy (CEWS), and the Canadian Emergency Business Account (CEBA) are recognized as government grants.

Under the CanExport SME program, the Corporation may receive up to $45,150 in financial assistance from the Government of Canada to develop export opportunities in new international markets. CanExport will refund up to 75% of eligible travel expenses related to business development in international markets incurred from January 1, 2020 to March 30, 2020.

The Corporation intends to apply for the proposed Canada Emergency Wage Subsidy (CEWS), which provides a 75% wage subsidy effective March 15, 2020 for a period of 24 weeks. As at April 30, 2020, the Corporation has an estimated subsidy of $71,200 receivable under the CEWS program. As at the date of these financial statements, the Corporation has not yet applied for the CEWS subsidy. Government grants are not recognized in the financial statements until there is reasonable assurance that the Corporation will comply with the conditions attached to it and that the grant will be received.

The Corporation expects to receive $7,000 in wage subsidies related to an employment grant from BioTalent Canada for the employment of a co-op student from May 2020 to August 2020.

On May 11, 2020, the Corporation obtained $40,000 in revolving credit from the Government of Canada under the Canada Emergency Business Account (CEBA) COVID-19 Economic Response Plan. The funding is granted in the form of an interest-free revolving credit line of which up to $40,000 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line will automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven.

(E) Financial instruments – initial recognition and subsequent measurement

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized cost or fair value through other comprehensive income (FVTOCI) are included with the carrying amount of such instruments. Transaction

costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the statements of total comprehensive loss.

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

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

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

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

Financial Liabilities
Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on remeasurement of held-for-trading financial liabilities are recognized in profit or loss within the statements of total comprehensive loss. Such gains or losses recognized in the statement of total comprehensive loss include any interest paid on the financial liabilities. Financial liabilities that are not held-for-trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost. The Corporation held no derivatives or embedded derivatives.

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

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

(F) Compound instruments

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

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

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

(G) Treasury shares

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

(H) Cash and cash equivalents

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

(I) Provisions

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

(J) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options and warrants. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options or warrants are used to repurchase common shares at the average market price during the period. Since the Corporation was in a loss position in all periods presented herein, the effect of all outstanding stock options and warrants is anti-dilutive, therefore diluted loss per share is equal to basic loss per share for both periods.

(K) Inventories

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

(L) Equipment

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

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

(M) Intangible assets

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

(N) Leases (As at November 1, 2019)

See Note 5 *Standards issued but not yet effective and standards adopted*.

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether: the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified. The Corporation must have the right to obtain substantially all of the economic benefits from use of the asset

throughout the period of use, and the Corporation must have the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either: the Corporation has the right to operate the asset; or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received, if any.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments (if any);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (if any);
- amounts expected to be payable under a residual value guarantee (if any); and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early (if any).

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation’s estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation presents right-of-use assets outside of ‘equipment’ in its own category within the statement of financial position. Lease liabilities are presented as ‘lease liabilities’ in the statement of financial position.

Short-term leases and leases of low value assets
The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a term of 12 months or less and leases of low value assets. The Corporation recognizes the lease payments associated with these leases, if any, as an expense on a straight-line basis over the lease term.

In the comparative period, as a lessee, the Corporation classified leases that transfer substantially all of the risks and rewards of ownership as finance leases, if any or as operating leases under IAS 17 *Leases*. In the year ended October 31, 2019 and prior periods, leases were all classified as operating leases and were not recognized in the Corporation’s statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. No lease incentives were received.

As a practical expedient, IFRS 16 *Leases* permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Corporation has used this practical expedient.

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

(P) Share-based payments

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

Share options or other equity instruments are granted to employees as part of their remuneration package, in addition to a cash salary and other employment benefits. It is not possible to measure directly the services received for particular components of the employee's remuneration package. It is also not be possible to measure the fair value of the total remuneration package independently, without measuring directly the fair value of the equity instruments granted. Furthermore, share options are sometimes granted as part of a bonus arrangement, rather than as a part of basic remuneration, e.g., as an incentive to the employees to remain in the entity's employ or to reward them for their efforts in improving the entity's performance. By granting share options, in addition to other remuneration, the entity is paying additional remuneration to obtain additional benefits. Estimating the fair value of those additional benefits is likely to be difficult. Because of the difficulty of measuring directly the fair value of the services received, the entity measure the fair value of the employee services received by reference to the fair value of the equity instruments granted.

To apply the requirements of IFRS 2 *Share-based Payment* to transactions with parties other than employees, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. In rare cases, if the entity rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the entity shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

The Corporation has issued share options to employees and consultants. Those consultants perform similar activities as employees and economically are similar to employees. Accordingly, it is not possible to measure the value of the share options directly by the services received and the fair value is measured in the same fashion as if they were employees.

For transactions measured by reference to the fair value of the equity instruments granted, the Corporation measures the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

Since market prices are not available, the Corporation estimated the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

(Q) Joint arrangement

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

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

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

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

4. Significant accounting judgments, estimates, and assumptions

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

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

The significant assumptions used in determining the discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the ACOA loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacted the initial fair value of the loans, as well as the carrying value of the loans at each reporting date. The Corporation is in the commercialization and early-revenue stages for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimate of future revenues assumes some revenue growth in the near future. The discount rate determined on initial recognition of the loans is used to determine the present value of estimated future cash flows expected to be required to settle the debt. In determining the appropriate discount rates, the Corporation considered the interest rates of similar long-term debt arrangements, with similar terms. The loans are repayable based on a percentage of gross revenue, accordingly finding financing arrangements with similar terms is difficult and management was required to use significant judgment in determining the appropriate discount rates. Management used a discount rate of 35% to discount the loans.

If the weighted average discount rate used in determining the initial fair value and the carrying value at each reporting date of all loans, with repayment terms based on future revenue, had been determined to be higher by 10% (45%) or lower by 10% (25%), the carrying value of the long-term debt at April 30, 2020 would have been an estimated $77,606 lower or $121,222 higher, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at April 30, 2020 being an estimated $25,284 higher or $26,576 lower, respectively. If the total forecasted revenue were reduced to $nil, no amounts would be forecast to be repaid on the non-current portion of the ACOA loans and the ACOA loan at April 30, 2020 would be $97,745, which would be a reduction in the ACOA loan by $300,370.

Share-based Payments

Share-based payments are estimated using a Black-Scholes-Merton pricing model (Black Scholes). This model requires management estimates and assumptions, such as the life of the instrument, rate of forfeiture, and volatility. See Note 21.

COVID-19

The Corporation assessed possible impacts to its financial reporting as a result of the COVID-19 pandemic (COVID-19). The Corporation has not impaired or changed the useful life of non-current assets in the reporting period. Current assets were assessed for expected credit losses and / or impairment and no adjustments from the carrying amounts were required in the reporting period. Prepaid expenses increased in the reporting period due to cancelled trade shows, conferences and travel as a result of COVID-19. These expenses were refunded with vouchers or future credits. The Corporation expects to settle these prepaid expenses in the current period. The Corporation remains in compliance with its debt agreements and contractual obligations. Except for normal operational requirements such as account payables and accrued liabilities, no provisions or contingent liabilities are recognized or disclosed in the reporting period as a direct impact of COVID-19. As disclosed in the notes: Events after the Reporting Period, the Corporation has and / or will apply for certain government grants, which will be recognized when there is reasonable assurance that the grant will be received. As disclosed within the notes to the financial statements, ACOA may defer the collection of the current period obligation and National Research Council (NRC) could provide rent concessions such as deferring or adjusting future rent payments.

5. Standards issued but not yet effective and standards adopted

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

The Corporation applied IFRS 16 *Leases* with a date of initial application of November 1, 2019. As a result, the Corporation has changed its policy for lease accounting. See Note 3(N).

As indicated in Note 3(N), the Corporation has adopted IFRS 16 *Leases* retrospectively from November 1, 2019 but has not restated comparatives for the October 31, 2019 reporting period, as permitted under the specific transition provisions in the IFRS 16 *Leases* standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on November 1, 2019. The new accounting policies are disclosed in Note 3(N).

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. Under IFRS 16 *Leases*, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease.

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16 *Leases*, the Corporation recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Corporation decided to apply recognition exemptions to short-term leases and leases of low value. For leases of other assets, which were classified as operating under IAS 17 *Leases*, the Corporation recognized right-of-use assets and lease liabilities.

Leases classified as operating leases under IAS 17
As at November 1, 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate of 8%.

The Corporation used the following practical expedients when applying IFRS 16 *Leases* to leases previously classified as operating leases under IAS 17 *Leases*: excluded initial direct costs from measuring the right-of-use asset at the date of initial application and chose not to restate prior periods.

Impacts on financial statements
On transition to IFRS 16 *Leases* on November 1, 2019, the Corporation recognized $54,912 of right-of-use assets and $43,591 of lease liabilities.

The Corporation discounted the lease payments using its incremental borrowing rate as at November 1, 2019 of 8%.

Operating lease commitments as at October 31, 2019	**$**	**70,167**
Subtract: exemption for short-term leases		(14,100)
Operating lease commitments less exemption as at October 31, 2019		56,067
Effect of discounting at the incremental borrowing rate of 8%		(1,155)
Discounted lease liability as at November 1, 2019 before deposits and rent prepayments		54,912
Subtract: deposits and rent prepayments		(11,321)
Lease liability as at November 1, 2019		**43,591**
Add: present value of modification of leases within the reporting period		251,061
Add: interest accretion during the reporting period		5,649
Subtract: lease payments during the reporting period		(31,717)
Lease liability as at January 31, 2020	**$**	**268,584**
Add: interest accretion during the reporting period		5,196
Subtract: lease payments during the reporting period		(31,982)
Lease liability as at April 30, 2020 (see Note 17)	**$**	**241,798**

Right-of-use asset as at November 1, 2019 (see above liability before deposits and prepayments)	**$**	**54,912**
Add: present value of modification of leases within Q1 2020 (see above)		251,061
Subtract: depreciation charge during the reporting period		(30,075)
Right-of-use asset as at January 31, 2020	**$**	**275,898**
Subtract: depreciation charge during the reporting period		(30,075)
Right-of-use asset as at April 30, 2020 (see Note 14)	**$**	**245,823**

On May 28, 2020, the International Accounting Standards Board ("IASB") issued an amendment to IFRS 16 *Leases* to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of COVID-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment is effective 1 June 2020 but, to ensure the relief is available, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorized for issue.

As of the reporting period and the date of issue of the financial statements, the Corporation has not entered into any COVID-19 related rent concessions. Management will continue to assess.

All other new standards were early adopted where possible and/or had no significant impact on the financial statements.

6. Operating segment information

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

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

	Three months ended		Six months ended	
Sales for periods ending:	**April 30, 2020**	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
Philippines	Nil	281,862	225,151	585,048
Thailand	11,831	Nil	20,274	Nil
United States	3,793	$ 13,005	18,004	$ 31,820
Malaysia	10,579	Nil	10,579	Nil
Taiwan	3,422	Nil	3,422	Nil
China	Nil	9,117	Nil	9,117
Canada	Nil	Nil	Nil	124
	$ 29,625	**$ 303,984**	**277,430**	**$ 626,109**

The Corporation had no significant sales to a single customer in the three months ended April 30, 2020 (three months ended April 30, 2019: sales to one customer of $281,862 or 93% of all revenue). The Corporation had significant sales to one customer of $225,151 (81% of all revenue) in the six months ended April 30, 2020 (six months ended April 30, 2019: sales to one customer of $585,048 or 93% of all revenue).

7. Disclosure of expenses by nature

	Three months ended		Six months ended	
	April 30, 2020	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
Selling, general, and administrative				
Salary, wages, board fees, and benefits	$ 283,803	$ 243,035	$ 534,333	$ 513,446
Professional fees and other	551,975	629,455	1,194,308	1,328,181
Share-based payments	94,487	54,736	152,951	137,556
Total selling, general, and administrative	**$ 930,265**	**$ 927,226**	**$ 1,881,592**	**$ 1,979,183**
Research				
Salary, wages, and benefits	$ 96,284	$ 243,838	$ 186,344	$ 354,149
Professional fees and other	55,405	42,020	138,118	107,345
Government grant on research expenses	(30,220)	Nil	(30,220)	(17,347)
Total research	**$ 121,469**	**$ 285,858**	**$ 294,242**	**$ 444,147**

8. Finance cost (net)

	Three months ended		Six months ended	
(See Notes 16, 17, and 18)	**April 30, 2020**	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
Interest accretion on ACOA repayable funding	$ 32,898	$ 33,916	$ 63,078	$ 65,030
Interest accretion and amortization of transaction costs on BBHLT long-term debt	Nil	52,355	Nil	134,795
Interest accretion on settlement of BBHLT long-term debt	Nil	62,447	Nil	62,447
Interest accretion and amortization of transaction costs on debenture long-term debt	258,886	84,237	502,360	87,237
Interest accretion on lease liabilities	5,196	Nil	10,845	Nil
Deposit interest on short-term investments and demand accounts	(6,510)	Nil	(8,073)	Nil

Total finance cost	**$**	**290,470**	**$**	**232,955**	**$**	**568,210**	**$**	**349,509**

9. Income taxes

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

2026	$	544,416
2027		911,198
2028		437,970
2029		1,369,413
2030		1,955,638
2031		2,857,669
2032		2,079,046
2033		1,056,010
2034		1,862,826
2035		2,453,329
2036		2,410,118
2037		4,762,281
2038		3,561,659
2039		4,276,719
2040		1,476,611
Indefinite[1]		2,099,082
	$	**34,113,985**

Note 1: The Corporation has approximately $2,099,082 of unclaimed Canadian federal and provincial Scientific Research and Experimental Development (SRED) expenditures which will not expire in future periods.

As at April 30, 2020, the Corporation has $70,752 in refundable SRED tax credits which relate to the 2019 tax year. The Corporation has recorded an estimate of $25,000 in refundable SRED credits which relate to eligible SRED expenses for the 6 months ended April 30, 2020. Current year refundable SRED credits have not yet been filed for review with the Canada Revenue Agency.

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

Deferred Tax Assets Not Realized		**April 30, 2020**		**October 31, 2019**
Non-capital loss carry-forwards	$	7,326,063	$	6,975,434
Cumulative capital cost and PP&E		447,147		446,533
SRED tax credits and investment tax credits		669,714		614,429
Share issue costs		192,741		147,106
Total deferred income tax assets not recognized		8,635,665		8,183,502
Deferred income tax assets on the statement of financial position	$	Nil	$	Nil

Deferred Tax Assets Realized		**April 30, 2020**		**October 31, 2019**
ACOA loan temporary difference	$	(752,240)	$	(768,955)
Long-term debt temporary difference		(267,150)		(244,987)
Non-capital losses		1,019,390		1,013,942
Deferred income tax liabilities on the statement of financial position	$	Nil	$	Nil

Reconciliation of taxable losses for the three months ended		**April 30, 2020**		**April 30, 2019**
Loss before income taxes	$	(1,393,498)	$	(1,292,919)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%		(369,277)		(342,624)
Non-deductible share-based payments		25,039		14,505
Depreciation on equipment		307		307
Interest accretion on long-term debt		13,840		(26,103)
Interest on lease liabilities and depreciation on right-of-use assets		(7,098)		Nil
Share issue costs		(18,888)		(16,263)
Income tax recovery not probable to be utilized		356,077		370,177
Income tax recovery recognized on the statement of total comprehensive loss	$	Nil	$	Nil

Reconciliation of taxable losses for the six months ended	April 30, 2020	April 30, 2019
Loss before income taxes	$ (2,725,278)	$ (2,434,716)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	(722,199)	(645,200)
Non-deductible share-based payments	40,532	36,452
Depreciation on equipment	614	614
Interest accretion on long-term debt	50,468	(6,641)
Interest on lease liabilities and depreciation on right-of-use assets	(17,006)	Nil
Share issue costs	(37,777)	(32,526)
Income tax recovery not probable to be utilized	685,367	647,300
Income tax recovery recognized on the statement of total comprehensive loss	$ Nil	$ Nil

10. Loss per share

The outstanding number and type of securities that could potentially dilute basic earnings per share in the future but that were not included in the computation of diluted net loss per shares because to do so would have reduced the loss per share (anti-dilutive) as at April 30, 2020 and 2019 are as noted below.

	Number Outstanding	
	April 30, 2020	April 30, 2019
Stock Appreciation Rights (SARs) – expired May 20, 2019	Nil	60,000
Options – Share-based payments	2,846,062	1,999,812
Subscriber Warrants	7,804,242	5,967,980
Agent Warrants	905,557	516,317
Long-term Debt Warrants – expired November 13, 2020	Nil	500,000
Total	**11,555,861**	**8,544,109**
Reserve for common shares to be issued for wind-up of China joint venture and consulting services (issued on November 11, 2019)	Nil	416,667

	Three months ended	
	April 30, 2020	April 30, 2019
Loss attributable to equity holders for basic loss from continuing operations	$ (1,393,498)	$ (1,292,919)
Loss attributable to equity holders adjusted for dilution	**$ (1,393,498)**	**$ (1,292,919)**
Weighted average number of common shares for basic loss per share	41,541,522	33,809,452
Loss per share (basic and diluted)	**$ (0.03)**	**$ (0.04)**

	Six months ended	
	April 30, 2020	April 30, 2019
Loss attributable to equity holders for basic loss from continuing operations	$ (2,725,278)	$ (2,434,716)
Loss attributable to equity holders adjusted for dilution	**$ (2,725,278)**	**$ (2,434,716)**
Weighted average number of common shares for basic loss per share	38,898,641	34,064,882
Loss per share (basic and diluted)	**$ (0.07)**	**$ (0.07)**

11. Trade and other accounts receivables

	April 30, 2020	October 31, 2019
Trade receivables	$ 10,345	$ 24,591
Receivable from tax authorities for HST input credits	34,783	37,791
Receivable from tax authorities for SRED tax credits	95,752	70,752
	$ 140,880	**$ 133,134**

Trade and other accounts receivables are non-interest bearing and are on 30- to 60-day terms. As at April 30, 2020, no trade and other accounts receivables were impaired (October 31, 2019: Nil). The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired (days) < 30	30-60	> 60
April 30, 2020	$10,345	$Nil	$4,434	$5,911	$Nil
October 31, 2019	$24,591	$24,591	$Nil	$Nil	$Nil

12. Inventories

	April 30, 2020	October 31, 2019
Raw materials	$ 17,428	$ 20,503
Work in process	Nil	307,762
Finished goods	346,720	123,252
Total inventories	**$ 364,148**	**$ 451,517**

The amount of the inventories recognized as an expense in the three months ended April 30, 2020 is $52,219 (three months ended April 30, 2019: $161,989). Inventory expensed in the three months ended April 30, 2020 consisted of $14,693 in cost of products sold and $37,526 expensed for marketing and trials. Inventory expense in the three months ended April 30, 2019 consists of $149,705 in cost of products sold, $4,084 expensed to marketing and trials, and $8,200 impaired.

The amount of the inventories recognized as an expense in the six months ended April 30, 2020 is $205,773 (six months ended April 30, 2019: $309,320). Inventory expensed in the six months ended April 30, 2020 consisted of $161,312 in cost of products sold and $44,461 expensed for marketing and trials. Inventory expense in the six months ended April 30, 2019 consists of $288,668 in cost of products sold, $7,452 expensed to marketing and trials, and $13,200 impaired.

13. Equipment

	Laboratory equipment
Cost:	
At October 31, 2018	**$ 69,539**
Acquisition	109,204
At October 31, 2019	**$ 178,743**
Acquisition	23,334
At January 31, 2020	**$ 202,077**
Acquisition	20,961
At April 30, 2020	**$ 223,038**
Depreciation:	
At October 31, 2018	**2,540**
Depreciation charge for the period	4,636
At October 31, 2019	**$ 7,176**
Depreciation charge for the period	1,159
At January 31, 2020	**$ 8,335**
Depreciation charge for the period	1,159
At April 30, 2020	**$ 9,494**
Carrying amount:	
At April 30, 2020	**$ 213,544**
At October 31, 2019	**$ 171,567**
At October 31, 2018	**$ 66,999**

As of April 30, 2020, $141,832 in laboratory equipment is not yet available for use and therefore is not subject to depreciation.

14. Right-of-use assets

The Corporation holds leases for office and laboratory space (collectively the "office leases"). One of the leases has a term expiring in March 2023 and a second lease has a term expiring in March 2021. Information for leases for which the Corporation is a lessee is presented below (see Note 5):

		Right-of-use asset
Right-of-use asset as at October 31, 2019	**$**	**Nil**
Right-of-use assets as at November 1, 2019		54,912
Addition to right-of-use assets during the period		251,061
Depreciation charge for the period		(30,075)
Right-of-use asset as at January 31, 2020	**$**	**275,898**
Depreciation charge for the period		(30,075)
Right-of-use asset as at April 30, 2020	**$**	**245,823**

15. Accounts payables and accrued liabilities

As at the periods ended		**April 30, 2020**		**October 31, 2019**
Accounts payables and accrued liabilities	$	514,917	$	511,311
Staff and board compensation payable		58,812		44,897
Total	**$**	**573,729**	**$**	**556,208**

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

16. Atlantic Canada Opportunities Agency (ACOA) repayable funding

The Corporation entered into two agreements to obtain repayable funding from ACOA. Under the first agreement, the Corporation drew $2,052,131 of which $32,498 was repaid for a remaining obligation of $2,019,633. Under the second agreement, the Corporation drew $1,334,400 of which $117,278 was repaid for a remaining obligation of $1,227,122.

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

The Corporation commenced repayment on June 30, 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. The next ACOA repayment is due on 30 June 2020 and is currently recorded as $97,745 based on OxC-beta product sales of $977,451 in the twelve-month period ended October 31, 2019. Due to COVID-19, ACOA has proposed to delay the repayment previously due on June 30, 2020 for an as-yet undetermined period of time.

		Project 1		**Project 2**		**Total**
Balance as at October 31, 2018	**$**	**25,913**	**$**	**319,496**		**345,409**
Interest accretion during the period		9,146		120,084		129,230
Adjustment during the year		971		(33,316)		(32,345)
Repayment of loan during the period		(12,547)		(94,710)		(107,257)
Balance as at October 31, 2019	**$**	**23,483**	**$**	**311,554**	**$**	**335,037**
Interest accretion during the period		2,116		28,064		30,180
Balance as at January 31, 2020	**$**	**25,599**	**$**	**339,618**	**$**	**365,217**
Interest accretion during the period		2,306		30,592		32,898
Balance as at April 30, 2020	**$**	**27,905**	**$**	**370,210**	**$**	**398,115**

		April 30, 2020		**October 31, 2019**
Current portion of repayable funding	$	97,745	$	97,745
Non-current portion of repayable funding		300,370		237,292
Total ACOA repayable funding	**$**	**398,115**	**$**	**335,037**

Annual repayments of the ACOA repayable funding are calculated as 10% of the gross revenues resulting from products for Project 1 and Project 2. The current portion of the ACOA liability payable is calculated as follows:

For the year ended October 31, 2019	**Project 1**	**Project 2**	**Total**
Revenues from Project 1	$ 81,106	$ -	$ 81,106
Revenues from Project 2	-	896,345	896,345
Total revenues allocated to each ACOA Project	**81,106**	**896,345**	**977,451**
Total current portion of repayable funding (at 10%)	**$ 8,111**	**$ 89,634**	**$ 97,745**

Under the agreements, the Corporation must maintain a minimum shareholders' equity and other conditions. The Corporation was in compliance with the covenant agreements as at April 30, 2020 and October 31, 2019. Under the terms of the ACOA repayable funding agreements, no dividends may be paid until the ACOA obligations are fully repaid.

17. Lease Liabilities

Details on the Corporation's lease liabilities are as follows (see Note 5):

Lease liabilities as at October 31, 2019	**$**	**Nil**
Lease liability as at November 1, 2019		54,912
Additions to lease liabilities during the period		251,061
Deposits and rent prepayments		(11,321)
Interest accretion during the period		5,649
Lease payments during the period		(31,717)
Balance as at January 31, 2020	**$**	**268,584**
Interest accretion during the period		5,196
Lease payments during the period		(31,982)
Balance as at April 30, 2020	**$**	**241,798**
Current balance		124,818
Non-current balance		116,980
Balance as at April 30, 2020	**$**	**241,798**

As at April 30, 2020 **Maturity analysis – undiscounted cash flows per fiscal year**		**Lease liability**
2020	$	64,560
2021		99,010
2022		78,308
2023		25,508
Total undiscounted lease liabilities	**$**	**267,386**

Expenses related to leases recognized on the statement of total comprehensive loss for the three and six months ended April 30, 2020 are as follows:

	Three months ended April 30, 2020	**Six months ended April 30, 2020**
Interest on lease liabilities	$ 5,196	$ 10,845
Expenses related to short-term leases	7,050	14,100
Total	**$ 12,246**	**$ 24,945**

Amounts recognized in the statement of cash flows related to leases for the three and six months ended April 30, 2020 are as follows:

	Three months ended April 30, 2020	**Six months ended April 30, 2020**
Total cash flows for leases	$ 31,982	$ 75,017

18. Long-term debt

Bloom Burton Healthcare Lending Trust

On October 30, 2015, the Corporation entered into an agreement with the Bloom Burton Healthcare Lending Trust (the "Trust") for a secured drawdown credit facility of up to $1.8 million. Amounts drawn on the credit facility accrue interest at 12% annually, with 7% repayable each calendar quarter and the remaining 5% accruing to be repaid at maturity. On March 28, 2019, the Corporation fully repaid the $1.8 million principal of the credit facility and $234,929 in accrued interest.

In consideration for the credit facility, the Trust has been issued 500,000 warrants to purchase common shares of the Corporation at an exercise price of $1.10. The warrants expired on November 13, 2019.

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

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

The details on the transactions related to the debt are as follows:

Balance as at October 31, 2017	**$ 996,603**
Amounts drawn from credit facility at present value	754,205
Interest paid during the year	(91,566)
Interest accretion during the year	226,448
Amortization of transaction costs during the year	21,773
Balance as at October 31, 2018	**1,907,463**
Interest accretion during the year	125,950
Interest paid during the year	(69,776)
Amortization of transaction costs during the year	8,845
Accrued interest paid on settlement of long-term debt	(234,929)
Principal repaid during the year	(1,800,000)
Interest accretion on settlement of long-term debt	62,447
Balance as at October 31, 2019	**$ Nil**

Senior Secured Debentures

On March 28, 2019, the Corporation closed an offering of Senior Secured Debentures (the "First Closing Debentures") in the aggregate principal amount of $5,264,000 for gross proceeds in the same amount. A second closing of Senior Secured Debentures (the "Second Closing Debentures" and together with the First Closing Debentures the "Senior Secured Debentures") took place on April 9, 2019 in the aggregate principal amount of $114,000 for gross proceeds in the same amount. The Senior Secured Debentures will bear interest at 10% per year, payable quarterly in cash. The Corporation will also pay an annual credit maintenance fee of 2% (in cash or shares at the Corporation's discretion). The First Closing Debentures will mature on March 27, 2022 and the Second Closing Debentures will mature on April 8, 2022, at which time the principal amount and all accrued and unpaid interest will be repayable in cash.

Purchasers of First Closing Debentures also received an aggregate of 1,316,000 common shares of the Corporation, being an amount equal to 20% of the principal amount of the First Closing Debentures divided by $0.80 per share.

The principal amount of the First Closing Debentures and any accrued and unpaid interest may be repaid in full after March 28, 2020. Between March 28, 2020 and March 28, 2021 an early repayment is subject to a 2% fee and between March 28, 2021 and March 27, 2022 an early repayment is subject to a 1% fee. The early repayment fee may be paid in cash or shares at the Corporation's discretion.

The Corporation paid agent fees in connection with the First Closing Debentures of $180,300 and issued 225,375 agent warrants. Each agent warrant entitles the agent to purchase one common share of the Corporation for two years at $0.80. The warrants were recognized at a fair value of $72,796 using a Black-Scholes-Merton calculation with the following inputs: stock price of $0.74, exercise price of $0.80, expected life of 2 years, annual risk-free interest rate of 1.49% based on the Bank of Canada benchmark 2-year bond yield, and expected annualized volatility of 84.6%. The warrants were charged to the contributed surplus account until such time as the warrants are exercised or expired.

Under IAS 32 *Financial Instruments: Presentation*, an entity is required to separate a financial instrument that contains a financial liability and an equity component using the residual method. The common shares are considered to be an equity component and the First Closing Debentures are considered a financial liability. Therefore, the financial liability is measured at the discount rate that a market participant would require without the equity component. Initial recognition of the debt component of the First Closing Debentures was at its fair value at a discount rate of 20.8%. $4,211,200 was recognized as debt and $1,052,800 was recognized as equity. Subsequent recognition of the debt component will use the effective interest method at a rate of 23.6% to also account for transaction costs allocated on a pro-rata basis to the debt portion of the First Closing.

Purchasers of Second Closing Debentures also received an aggregate of 26,206 common shares of the Corporation, being an amount equal to 20% of the principal amount of the Second Closing Debentures divided by $0.87 per share. The principal amount of the Second Closing Debentures and any accrued and unpaid interest may be repaid in full after April 9, 2020. Between April 9, 2020 and April 9, 2021 an early repayment is subject to a 2% fee and between April 9, 2021 and April 8, 2022 an early repayment is subject to a 1% fee. The early repayment fee may be paid in cash or shares at the Corporation's discretion.

The Corporation paid agent fees in connection with the Second Closing Debentures of $6,840 and issued 7,862 agent warrants. Each agent warrant entitles the agent to purchase one common share of the Corporation for two years at $0.87. The warrants were recognized at a fair value of $3,137 using a Black-Scholes calculation with the following inputs: stock price of $0.87, exercise price of $0.87, expected life of 2 years, annual risk-free interest rate of 1.60% based on the Bank of Canada benchmark 2-year bond yield, and expected annualized volatility of 84.5%. The warrants were charged to the contributed surplus account until such time as the warrants are exercised or expired.

Under IAS 32 *Financial Instruments: Presentation*, an entity is required to separate a financial instrument that contains a financial liability and an equity component using the residual method. The common shares are considered to be an equity component and the Second Closing Debentures are considered a financial liability. Therefore, the financial liability is measured at the discount rate that a market participant would require without the equity component. Initial recognition of the debt component of the Second Closing Debenture was at its fair value at a discount rate of 20.2%. $91,200 was recognized as debt and $22,800 was recognized as equity. Subsequent recognition of the debt component will use the effective interest method to also account for transaction costs allocated on a pro-rata basis to the debt portion of the Second Closing.

Transaction costs associated with the Senior Secured Debentures in the amount of $412,180 have been recorded to equity and long-term debt on a pro-rata basis. The liability's transaction costs will be expensed using the effective interest method up to the maturity date of the Senior Secured Debentures.

Balance as at October 31, 2018	**$ Nil**
Issuance of secured debenture	4,302,400
Transaction costs allocated to long-term debt	(329,743)
Interest accretion during the period	534,381
Interest paid during the period	(319,392)
Amortization of transaction costs during the period	65,003
Balance as at October 31, 2019	**$ 4,252,649**
Interest accretion during the period	243,474
Interest paid during the period	(135,371)
Balance as at January 31, 2020	**$ 4,360,752**
Interest accretion during the period	258,886
Interest paid during the period	(132,246)
Maintenance fees settled in equity during the period	(107,560)
Balance as at April 30, 2020	**$ 4,379,832**
Current portion of long-term debt	$ 644,370
Non-current portion of long-term debt	3,735,462
Balance as at April 30, 2020	**$ 4,379,832**

The undiscounted future repayments per fiscal year on the loan are as follows:

2020	$	270,369
2021		645,111
2022		5,702,528
Total	**$**	**6,618,008**

19. Common Shares

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

On November 30, 2017, the Corporation completed a brokered and non-brokered private placement of 4,058,500 units for gross proceeds of $4,058,500. Each unit consisted of one common share and one half common share purchase warrant for a unit price of $1.00. Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of $1.20 for three years. Related parties participated in the financing in the amount of $510,000.

Based on the gross proceeds of $4,058,500, the relative fair value of the common shares was $3,202,305 and the investor warrants were assigned a relative fair value of $856,195. The Corporation paid agent fees in connection

with the transaction in the amount of $286,330 and issued 283,080 agent warrants. These were based on a payment of 8% of the brokered proceeds. The agent warrants were assigned a fair value of $154,278 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for three years at $1.00. Legal transaction fees for the private placement were $93,387. TSX.V and other filing fees were $20,438.

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

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

On March 28, 2019, the Corporation issued 1,316,000 common shares of the Corporation in connection with a private placement of Senior Secured Debentures. See Note 18.

On April 9, 2019, the Corporation issued 26,206 common shares of the Corporation in connection with a private placement of Senior Secured Debentures. See Note 18.

On January 2, 2020, the Corporation completed a non-brokered private placement, issuing 2,500,000 investor units at an issue price of $0.50 per unit for aggregate gross proceeds of $1,250,000. Each investor unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation at $0.75 for a period of three years.

In connection with the private placement, the Corporation paid cash finder’s fees of $100,000 and issued 200,000 compensation finder’s warrants. The finder’s warrants were assigned a fair value of $83,100 based on a Black-Scholes-Merton calculation with the following assumptions: share price of $0.58, exercise price of $0.50 for the overlying warrants and $0.75 for the underlying warrants, time to maturity of 2 years, annual risk-free interest rate of 1.66% based on Canada two-year benchmark bond yield, and a historical 2-year stock volatility of 87.7%. Each finder’s warrant (or the overlying warrant) entitles the holder to purchase one finder unit at $0.50 per finder unit for a period of 2 years. Each finder unit issuable on exercise of the finder’s warrants consists of one common share and one-half common share purchase warrant (or the underlying warrant). Each whole warrant underlying the finder units will be exercisable at $0.75 only during the period ending 2 years from January 2, 2020.

On January 27, 2020, the Corporation completed a non-brokered private placement, issuing 3,500,000 investor units at an issue price of $0.50 per unit for aggregate gross proceeds of $1,750,000. Each investor unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Corporation at $0.75 for a period of three years.

In connection with the private placement, the Corporation paid cash finder’s fees of $94,620 and issued 189,240 compensation finder’s warrants. The finder’s warrants were assigned a fair value of $73,709 based on a Black-Scholes-Merton calculation with the following assumptions: share price of $0.56, exercise price of $0.50 for the overlying warrants and $0.75 for the underlying warrants, time to maturity of 2 years, annual risk-free interest rate of 1.44% based on Canada two-year benchmark bond yield, and a historical 2-year stock volatility of 86.9%. Each finder’s warrant (or the overlying warrant) entitles the holder to purchase one finder unit at $0.50 per finder unit for a period of 2 years. Each finder unit issuable on exercise of the finder’s warrants consists of one common share and one-half common share purchase warrant (or the underlying warrant). Each whole warrant underlying the finder units will be exercisable at $0.75 only during the period ending 2 years from January 27, 2020.

The Corporation incurred transaction costs in connection with the January 2, 2020 and January 27, 2020 private placements of $41,852.

Two related parties to the Corporation participated in the placement for a total of $54,750.

On March 28, 2020, the Corporation issued 162,122 common shares at $0.6493 per share to holders of the Corporation’s Senior Secured Debentures. These shares were issued in settlement of maintenance fees of $105,280 payable on the First Closing Debentures.

On April 9, 2020, the Corporation issued 3,752 common shares at $0.6076 per share to holders of the Corporation’s Senior Secured Debentures. These shares were issued in settlement of maintenance fees of $2,280 payable on the Second Closing Debentures.

20. Warrants

As at April 30, 2020, the Corporation had 8,709,799 warrants outstanding, as follows:

Date of Issue	Subscriber Warrants	Agent Warrants	Term (Years)	Date of Expiry	Exercise Price
1-Jun-2016	2,774,992		4.3	30-Sep-2020[1]	$ 0.90
30-Nov-2017	2,029,250		3.0	30-Nov-2020	$ 1.20
30-Nov-2017		283,080	3.0	30-Nov-2020	$ 1.00
28-Mar-2019		225,375	2.0	28-Mar-2021	$ 0.80
9-Apr-2019		7,862	2.0	9-Apr-2021	$ 0.87
2-Jan-2020	1,250,000		3.0	2-Jan-2023	$ 0.75
2-Jan-2020		200,000	2.0	2-Jan-2022	$ 0.50
27-Jan-2020	1,750,000		3.0	27-Jan-2023	$ 0.75
27-Jan-2020		189,240	2.0	27-Jan-2022	$ 0.50
	7,804,242	**905,557**			

Note 1: On March 9, 2020, the Corporation obtained approval to extend 2,774,992 warrants to September 30, 2020. These subscriber warrants were previously extended.

21. Share-based payments

The Corporation adopted a stock option plan (Plan) on August 4, 2005. The Plan is administered by the Board of Directors who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one day and three years. Options under the Plan remain exercisable for five years from the date of grant. The option pool was amended on February 26, 2018 such that the maximum number of common shares reserved for issuance for options that may be granted under the Plan is 3,321,955. The following table represents options granted, exercised, expired, and forfeited.

	Total	Weighted average exercise price
Balance Outstanding as at October 31, 2018	**2,063,729**	**$ 0.86**
Forfeited	(2,187)	1.10
Forfeited	(8,125)	0.90
Expired	(11,563)	1.10
Expired	(42,667)	1.00
Expired	(9,375)	0.90
Expired	(18,750)	0.80
Expired	(215,000)	0.70
Expired	(10,000)	0.65
Granted	545,000	0.61
Balance Outstanding as at October 31, 2019	**2,291,062**	**$ 0.81**
Balance Outstanding as at January 31, 2020	**2,291,062**	**$ 0.81**
Granted	555,000	0.71
Balance Outstanding as at April 30, 2020	**2,846,062**	**$ 0.79**

Options exercisable as at:	**Total**	**Weighted average exercise price**
April 30, 2020	1,950,437	$ 0.85
October 31, 2019	1,649,802	$ 0.86

Exercise price	Options Outstanding	Options Exercisable	Weighted average remaining contractual life in months
$0.90	60,000	60,000	0.6
$0.65	132,900	132,900	3.7
$0.80	236,250	236,250	13.7
$1.00	60,000	60,000	22.0
$1.10	369,372	369,372	25.0
$0.90	60,000	60,000	31.8
$0.90	627,540	627,540	35.3
$0.57	200,000	200,000	40.5
$0.61	545,000	204,375	49.2
$0.71	555,000	-	58.2
	2,846,062	**1,950,437**	

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

Date of Issue	Apr 10, 2018	Sep 13, 2018	Jun 5, 2019	Mar 6, 2020
Quantity issued	652,540	200,000	545,000	555,000
Vesting period	8 quarters	Day 1	8 quarters	8 quarters
Exercise and issue price	$0.90	$0.57	$0.61	$0.71
Expected life	5 years	5 years	5 years	5 years
Interest rate	2.03%	2.25%	1.30%	0.66%
Volatility over expected life	110.11%	108.00%	104.03%	96.07%
Fair value	$0.713	$0.448	$0.466	$0.513

Volatility was determined by using the historical volatility of the stock over a 3 to 5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

For the three months ended April 30, 2020, the Corporation recorded $94,487 (three months ended April 30, 2019: $54,736) as contributed surplus and compensation expense for the vesting of share-based payments, which is measured at fair value at the date of grant and is graded and expensed over the option's vesting period. For the six months ended April 30, 2020, the Corporation recorded $152,951 (six months ended April 30, 2019: $137,556).

22. Fair values

All financial assets and financial liabilities are carried at amortized cost under the business model as required under IFRS 9 *Financial Instruments*. Due to the short-term nature of the current financial assets and liabilities, the carrying value is approximately equal to the fair value and are assessed as a Level 3. The ACOA fair value (Level 3) is explained in Note 16, and the long-term debt approximates its fair value (assessed as a Level 3 as management estimated the discount rate to still be approximately 20%). The lease liability is assessed as a Level 3 as management estimated the discount rate to be 8%.

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

23. Related party disclosures and key management compensation

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

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

	Three months ended		Six months ended	
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019
Short term employee benefits	$ 185,989	$ 173,625	$ 370,120	$ 350,427
Share-based payments	66,381	41,562	108,705	103,098
Total key management compensation	**$ 252,370**	**$ 214,827**	**$ 478,825**	**$ 453,525**

China JV wind-up

On July 24, 2018, the Corporation entered into an agreement to wind up Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company, its joint venture in China (the "China JV"). Upon the completion of the wind-up, the Corporation issued $300,000 in common shares, being 500,000 common shares of the Corporation at $0.60 per share, as reimbursement to the China JV partner for expenses incurred.

Consulting fees

In July 2018, the Corporation entered into a consulting agreement with the former China JV partner to provide business advice in the China market. Under the terms of the agreement, the consultant will be issued common shares of the Corporation equal in value to $50,000 per year, valued at the closing share price on the date of each anniversary (July 2019 – first anniversary) of the execution of the agreement.

For the fiscal year ended October 31, 2019, the Corporation recognized a $50,000 consulting fee. In settlement of the consulting fee, the Corporation agreed to issue common shares to the consultant. On November 25, 2019, the Corporation issued 80,645 common shares at a price of $0.62 per share in settlement of this fee.

As at April 30, 2020, the Corporation has recorded an accumulated liability of $38,388 as the pro-rated portion of the $50,000 in common shares payable to the consultant in July 2020.

24. Investment in associate

On June 13, 2019, the Corporation signed a Shareholder's Agreement with Mimi's Rock, Corp. ("MRC") to create a joint venture, Centre Beach, Inc. ("Centre Beach") for the purposes of marketing and selling Vivamune™ Health

Chews or a similar brand through internet sales world-wide. MRC and the Corporation each hold 50% of the outstanding shares of Centre Beach and each occupy 50% of the seats on the Board of Directors of Centre Beach.

Under the terms of the Shareholder's Agreement, the Corporation is responsible for providing Centre Beach with the active ingredient, OxC-Beta, and providing for necessary registrations in various countries. MRC is responsible for the administration of Centre Beach as well as the production, marketing, and sale of Vivamune™ Health Chews under the brand name of Dr. Tobias™ All-in-One Dog Chews.

The Corporation and MRC will fund Centre Beach on a pro rata basis (based on shareholdings) of the expenses of Centre Beach through shareholder loans. The amounts of the loans shall be determined by the Board of Directors of Centre Beach on a quarterly basis. All shareholder loans shall rank pari passu with one another in right of repayment.

Since decisions that impact the variable returns require the unanimous consent of both Avivagen and MRC, as each hold 50% of the voting rights, Avivagen and MRC have joint control over the entity on the basis of Board of Directors seats or shareholder voting rights. The entity is a joint venture and equity accounting will be applied under IAS 28 *Investments in Associates and Joint Ventures*. For the six months ended April 30, 2020 the Corporation recognized $34,992 in expenses related to the activity of the joint venture and its financial obligation to fund the joint venture.

25. Financial risk management objectives and policies

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

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

Market risk

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

Interest rate risk

The Corporation's exposure to interest rate risk is nominal considering the ACOA R&D repayable funding is subject to 0% interest. The long-term debt is subject to a 10% fixed interest rate and accordingly is not subject to exposure to interest rate changes. The Corporation invests surplus cash in bank demand deposits and short-term investments at its financial institutions at current rates from 1.1% to 1.93% which, due to their short-term nature, do not expose the Corporation to any significant interest rate risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenues or expenses are denominated in a different currency from the Corporation's functional currency. The Corporation is exposed to foreign exchange fluctuations against the Canadian dollar as the majority of its revenues and some of its expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the three months ended April 30, 2020, the Corporation's foreign exchange losses were $18,183 (three months ended April 30, 2019: losses of $2,652). For the six months ended April 30, 2020, the Corporation's foreign exchange losses were $19,304 (six months ended April 30, 2019: losses of $887). The U.S. foreign exchange rates were as follows:

As at:	US to CAD exchange rate
April 30, 2020	1.3910
October 31, 2019	1.3160
April 30, 2019	1.3423

The Canadian dollar carrying value of U.S. dollar financial instruments as at April 30, 2020 are as follows:

Cash and cash equivalents	$	24,156
Trade and other accounts receivables		10,345
Accounts payable and accrued liabilities		(261,488)
Total	**$**	**(226,987)**

The impact of a 10% fluctuation in the U.S. dollar exchange rate on the statement of total comprehensive loss and statement of changes in equity would be $22,698.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation provides credit to its customers in the normal course of operations. The Corporation sells its products primarily to mid-sized corporations with payment on receipt or in advance. The carrying amount of cash and cash equivalents and trade and other accounts receivable represents the maximum exposure to credit risk and at April 30, 2020 this amounted to $1,662,048 (October 31, 2019 - $1,219,079). The cash and cash equivalents are held by two high credit quality financial institutions on behalf of the Corporation, therefore the Corporation considers the risk of non-performance to be remote.

Cash and cash equivalents are held as follows: $481,392 held in interest and non-interest-bearing operating accounts at the Corporation's financial institutions and payable on demand, $1,004,776 in short-term interest-bearing investments payable upon demand, and $35,000 in cash which is held as collateral against the Corporation's credit cards and redeemable on demand if the Corporation closes its credit card accounts.

Collection Risk

The trade and other accounts receivable consists of $34,783 (October 31, 2019: $37,791) in HST input tax credits receivable and $95,752 in refundable Scientific Research and Experimental Development ("SRED") tax credits. HST input tax credits are not financial instruments as they are statutory obligations and rights and are not contractual obligations and rights. The SRED credits are subject to review by the Canada Revenue Agency. Accordingly, they are considered collection risk by the Corporation. The collection risk is considered low by the Corporation.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. See going concern note in Note 1.

The following table summarizes the amount of undiscounted contractual future cash flow requirements for financial instruments as at April 30, 2020:

		0 to 30 Days		31 to 365 Days		>365 Days
Accounts payables and accrued liabilities	$	573,731	$	Nil	$	Nil
Long-term debt	$	Nil	$	644,370	$	5,973,638
Lease liabilities	$	10,760	$	114,058	$	142,568
ACOA repayable funding	$	Nil	$	97,745		*Note 1*

Note 1: The ACOA repayable funding is based on 10% of prior years' revenue. It is not possible to estimate the future payments at this time (See Note 16).

Capital management

The Corporation manages its capital, which consists of cash provided from financing, long-term debt, and ACOA research and development repayable funding, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets. The Corporation continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

26. Commitments, guarantees, and collateral

The Corporation has approximately $118,000 of unrecognized contractual commitments as at April 30, 2020 (October 31, 2019: $235,000 of unrecognized contractual commitments).

The Corporation also has unrecognized contractual obligations for which future cash commitments cannot be estimated, up to 7% of certain future revenues.

Guarantees and collateral

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation and maintains liability insurance for its directors and officers. Except for a $35,000 term deposit for which RBC holds a lien against and which the Corporation can release upon the cancellation of the credit cards, the Corporation has pledged all of the assets of the Corporation in connection with the Senior Secured Debentures.

27. Events after the reporting period

On May 11, 2020, the Corporation obtained $40,000 in revolving credit from the Government of Canada under the Canada Emergency Business Account (CEBA) COVID-19 Economic Response Plan. The funding is granted in the form of an interest-free revolving credit line of which up to $40,000 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line will automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven.

The Corporation drew the full $40,000 available to it under the CEBA program and intends to repay $30,000 on December 31, 2022. Initial recognition of the $40,000 was at its fair value at a discount rate of 20%. In the next reporting period (three months ended July 31, 2020) the $17,677 will be recognized as debt and $22,323 will be recognized as a government grant in the statement of comprehensive loss.

The Corporation has applied for the Canada Emergency Wage Subsidy (CEWS), which provides a 75% wage subsidy effective March 15, 2020 for a period of 24 weeks. The Corporation may apply for approximately $292,300 in payroll subsidies under the Canada Emergency Wage Subsidy portion under the Canada Federal Government's COVID-19 Economic Response Plan for the 24-week period of March 15, 2020 to August 29, 2020. As at April 30, 2020, the Corporation has an estimated subsidy of $71,200 receivable under the CEWS program. Government grants are not recognized in the financial statements until there is reasonable assurance that the Corporation will comply with the conditions attached to it and that the grant will be received.

The Corporation expects to receive $7,000 in wage subsidies related to an employment grant from BioTalent Canada for the employment of a co-op student from May 2020 to August 2020.

The Corporation expects to receive $45,150 in financial assistance from the Government of Canada under the CanExport program for reimbursement of marketing expenses incurred in the current and prior reporting period.

On May 20, 2020, the Corporation received $70,752 in refundable SRED credits from the Canada Revenue Agency.

On May 15, 2020, the Corporation shipped 3,100kg of OxC-Beta Livestock to UNAHCO in settlement of a purchase order.