

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

December 15, 2020

Statement of Management Responsibility

The following "Summary Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") for the fiscal years ended October 31, 2020 and October 31, 2019 was prepared by management of Avivagen Inc. ("Avivagen" or the "Corporation") and approved by the Board of Directors on December 15, 2020.

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

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

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

In contrast to the certification required for non-venture issuers under NI 52-109, the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. In particular, the CEO and CFO filing this MD&A are not making any representations relating to the establishment and maintenance of:

- i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and/or reported within the time periods specified in securities legislation; and
- ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's International Financial Reporting Standards ("IFRS") reporting.

This MD&A discusses material changes in the Corporation's financial condition, results of operations and cash flows for the fiscal year ended October 31, 2020. Such discussion and comments on liquidity and capital resources should be read in conjunction with the financial statements dated October 31, 2020 and related notes which have been prepared in accordance with IFRS. The reader should also refer to the Corporation's Annual Information Form dated December 15, 2020, Risk Factor section (the "AIF Risk Factors"), which risk factors are incorporated herein by reference. To the extent there is any conflict between the AIF Risk Factors and risks identified in this MD&A, the risks identified in this MD&A will govern.

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

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financings; the ability of the Corporation's products to reduce the development of antibiotic resistant pathogens that are widely thought to occur as a result of food animal production and can threaten human health or to replace antibiotics in food-animal applications; the expectation that the Corporation will expand its patent portfolio; the Corporation's expectations as to the potential size of various markets; the ability to market and sell human supplements or applications; the Corporation's long term goals and expectations with respect to its products and the application thereof; the Corporation's planned efforts with respect to regulatory approval in additional jurisdictions, the expected timing of such approval processes and the funding required for such processes; the Corporation's plans to expand into additional geographic markets; the impacts of the COVID-19 pandemic on current and future operations; and the expected impacts on the Corporation of future IFRS accounting pronouncements. In addition to the AIF Risk Factors, potential risks and uncertainties include, without limitation, the uncertainties inherent in the early revenue stage of the Corporation and the development of biotechnology products for use in animals and humans; the ability to continue as a going concern; the need for significant additional funding; extensive government regulation of the Corporation's products; the ability of the Corporation to obtain third-party regulatory support; the success of Corporation-sponsored and customer-sponsored product trials; the ability of the Corporation to obtain and enforce patent protection; the risk of product liability claims and product recalls; the Corporation's sensitivity to unfavourable publicity and consumer perception; the political and legal risk associated with the Corporation's major markets being located outside of Canada; the Corporation's dependence on international advisors and consultants; the volatility of the Corporation's share price; the Corporation's susceptibility to global economic stress; rapid developments in technology and acquisition of future technology, including developments by competitors; the introduction of products to market; protection of intellectual property; dependence on key employees; dependence on partners for development, regulatory and commercial advancement of products; significant portions of revenue from a small number of clients; reliance on a sole source for manufacturing; and reliance on third parties for marketing and distribution of products.

The Corporation and its suppliers, partners and customers are exposed to potential interruption and damage, and partial or full loss, resulting from environmental disasters and other catastrophic events. There can be no assurance that in the event of an earthquake, hurricane, tornado, fire, flood, ice storm, tsunami, typhoon, terrorist attack, cyber-attack, act of war or other natural, manmade or technical catastrophe, including the recent outbreak of the COVID-19 novel coronavirus, all or some parts of the operations of the Corporation or its suppliers, partners or customers will not be disrupted. The occurrence of a significant event which disrupts the ability of the Corporation or its suppliers or partners to produce or sell the Corporation's products for an extended period, including events which reduce customer demand for the Corporation's products, could have a material negative impact on the Corporation's business.

Climate change is predicted to lead to increased frequency and intensity of weather events and related impacts such as storms, wildfires, flooding and storm surge. Extreme weather events create a risk of physical damage to the operations of the Corporation or its suppliers, partners and customers which may not be recoverable through insurance, legal, regulatory cost recovery or other processes and could materially affect the Corporation's business, results of operations and cash flows, including its reputation with customers, regulators, governments and financial markets.

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Corporation by causing operating, supply chain and product development delays and disruptions, labour shortages, reduced product demand, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Corporation.

Corporation Overview

Avivagen is domiciled in Canada and is located at 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6. The Corporation is a life-sciences company that is developing and commercializing products that help support animal health, including antibiotic alternatives in livestock feeds. Avivagen discovered the source of β -carotene's overlooked, previously difficult-to-reproduce ability, independent of β -carotene's vitamin A activity, to support an animal's own health defences. The Corporation's unique proprietary technology, known as OxC-beta™ (fully-oxidized beta-carotene) Technology, is based on Avivagen's utilization of the propensity of the β -carotene micronutrient to naturally undergo oxidation to generate a mixture of a polymeric compound and breakdown oxidation products, known as norisoprenoids, that have flavour and fragrance properties. This previously unrecognized mix of a polymeric compound and norisoprenoids,

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possesses a unique combination of health benefits that accounts for β -carotene's activity beyond being a source of vitamin A.

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

The health benefits observed in livestock have given rise to one of Avivagen's goals, which is to access the human supplement markets for OxC-beta™ Technology.

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

The Corporation believes that OxC-beta™ Livestock in its food-animal applications has the potential, by supporting the animals' own immune system, to replace antibiotics used for growth promotion: field trials have established that it helps maintain optimal health and, in this regard, thereby provides similar benefits to in-feed antibiotics. The Corporation is pursuing additional sales of OxC-beta™ Livestock in species such as poultry and swine where data can be rapidly generated and in jurisdictions with high motivation to eliminate the use of antibiotics and/or that have lower regulatory hurdles for products of this nature. In pursuit of such sales, the Corporation has conducted confirmatory trials with major livestock integrators and exploratory trials with qualified universities or research institutes. Identities of some trial collaborators and certain summary trial results have been disclosed in Avivagen's news releases.

For fiscal year ended October 31, 2020, the Corporation recorded revenues of \$1,177,857, of which \$28,890 relates to the sale of companion animal products and \$1,148,967 relates to the sale of 7,250kg of OxC-beta™ Livestock 10% premix to UNAHCO, Inc., 2,450kg to clients in Mexico, and 664kg to clients in Thailand, Taiwan, Brazil, and Malaysia.

For the fiscal year ended October 31, 2019, the Corporation recorded revenues of \$977,451 of which \$81,106 relates to the sale of companion animal products and \$896,345 relates to the sale of 6,000kg of OxC-beta™ Livestock 10% premix to UNAHCO, Inc. and 300kg to clients in Thailand, Taiwan, and China.

In February 2019, the Corporation signed a sales and distribution agreement with CSA Animal Nutrition ("CSA"), an entity based in the United States. The agreement grants an exclusive right to CSA to distribute and sell OxC-beta™ Livestock for swine, poultry, and dairy cattle within the United States. The agreement sets out minimum performance targets required for CSA to maintain exclusivity.

In February 2020, the Corporation signed a sales and distribution agreement with INPHILCO, Inc., a corporation in the Philippines. This agreement does not replace the current and ongoing relationship Avivagen has with UNAHCO, Inc.

In June 2020, the Corporation signed a marketing and distribution agreement with Meyenberg International Group, a corporation in Mexico. The marketing activities under this agreement have resulted in purchase orders for clients in Mexico.

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The Corporation believes that the total global animal feed production in Avivagen's target species of poultry, swine and cattle to which OxC-beta™ Livestock could be added is approximately 1 billion tons¹. Asia, the Corporation's target market for initial commercialization, is the largest single region representing some 35% of total world animal feed consumption.

In all major markets in which the Corporation plans commercial operations there is a regulatory requirement prior to offering OxC-beta™ Livestock for sale. There is very little consistency, other than proof of efficacy and safety, for regulatory filings among countries, which necessitates the Corporation to custom prepare a registration dossier for each market that it wishes to enter. The filing of the registration dossiers could involve various studies and trials, which entail various costs.

The review time before regulators confirm no objection to sale can range from one to several years, depending on the country and registration process required. Due to the uncertain nature, extent and timing of the regulatory process in each country, there is no guarantee that the Corporation can register in all countries within the time frames projected.

Avivagen has, as of the date of this report, received approval for sale of OxC-beta™ Livestock for major livestock species, including poultry, swine, and cattle where appropriate, in New Zealand, the Philippines, Malaysia, Brazil, Mexico, Australia, Taiwan, and Thailand.

Avivagen has self-affirmed its GRAS status for OxC-beta™ Livestock, which permits sales of the product in the U.S. This action by Avivagen is based on the positive opinion of a panel of independent experts assembled to evaluate the safety and efficacy of OxC-beta™ Livestock.

Self-affirmation of GRAS provides federal level approval for sale of OxC-beta Livestock. However, many individual states require an AAFCO (American Association of Feed Control Officials) definition for OxC-beta™ Livestock for sales within the particular states. Application for an AAFCO definition is in progress.

Registration activity is ongoing in several Asian countries, such as South Korea, China, Vietnam, and Indonesia, as this area of the world has been in the forefront in reducing antibiotic use in food animals and has a high demand for livestock production. A number of these Asian countries export poultry and pork to countries in the European Union, which has a policy of no antibiotics in food animals.

Regulatory approvals in China, Canada, and Latin America continue to be priorities for Avivagen. To help guide the Corporation through the regulatory process, regulatory consultants have been engaged. Consultants have been engaged for the Chinese and Canadian markets. The regulatory requirements for OxC-beta™ Livestock in China are being addressed through partnerships with a Chinese company which will be coordinating the submission on behalf of the Corporation. The anticipated approval time for China is approximately two years. Regulatory activities are underway in other markets, including Canada, with a time frame from less than one to several years.

In March 2020, the Corporation announced its intent to accelerate its long-standing plans to enter into the human use market in anticipation of a general need for novel immune-supporting supplements in relation to the COVID-19 pandemic. The Corporation retained the services of Bloom Burton & Co.'s strategic consultancy group in order to optimize the launch of the product into the U.S. market, initially, including confirming the regulatory path, commercial strategy and timing.

The timing and cost of regulatory registration can be very significant, and the Corporation anticipates requiring additional funds to support the above regulatory registration process. The Corporation will attempt to supplement the cost from sales in the countries for which it is registered to date, but additional funding by way of equity and or debt will be required.

For companion animals, the Corporation has created a branded line of OxC-beta™ Technology product, Vivamune™ Health Chews, intended to improve or maintain quality of life in companion animals. This product is in a class of non-drug nutritional supplements for the United States, which are regulated by the United States National Animal Supplement Council (NASC).

On June 13, 2019, the Corporation entered into a Joint Venture agreement with Mimi's Rock Corp. for the companion animal market. Under the terms of the agreement, Avivagen will supply its proprietary OxC-beta™ Technology and Mimi's Rock Corp. will market and sell the product as Dr. Tobias™ All-in-One Dog Chews through its e-commerce platform and online global channels. This joint venture will be the

¹ ¹Alltech 2019 Annual Global Feed Survey, ALLTECH, Nicholasville, Kentucky, USA 40356

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exclusive channel through which Avivagen sells nutritional supplements for cats and dogs online. All online sales will be conducted through a newly formed corporation jointly owned by the Corporation and Mimi's Rock Corp. The profits or losses will be shared equally between the two companies.

In July 2018, the Corporation received regulatory approval for fully oxidized beta carotene, which will allow marketing and selling in Canada of Vivamune and other companion animals products containing OxC-beta™ Technology.

Liquidity, Capital Resources, Outlook, and Going Concern

The Corporation is an early-revenue stage corporation and accordingly has not generated significant revenue from its principal products. The Corporation has incurred significant accumulated deficit to date of \$(35,136,696) (October 31, 2019: \$(31,012,699)). The ability of the Corporation to continue operations is dependent upon obtaining sufficient funding to sustain operations through the early-revenue stage, successfully bring technologies to market and achieve profitable operations. The Corporation manages its capital, which consists of cash provided from financing, government funding, and long-term debt, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets.

As at October 31, 2020, the Corporation had cash and cash equivalents of \$664,169 (October 31, 2019: \$1,085,945).

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

The Corporation may raise capital through the issuance of additional equity or debt financing. The Corporation's short-term plans are dependent on its ability to access funding to continue operations and development of the principal products. If the Corporation is unable to obtain funding through the issuance of common shares, warrants or stock options exercised, issuance of debt, receipt of government funding, proceeds from product sales and/or a licensing arrangement in a timely manner, then these programs and operations in general could be delayed or cease altogether. The Corporation will pursue additional funding to offset its financing and operating expenses. The Corporation expects expenditures for regulatory approvals (including research expenditures on trials and efficacy studies in support of registration) to continue or increase for the foreseeable future. As the Corporation moves further into the commercialization and revenue phase, these registration and trial expenditures may ultimately begin to decrease.

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

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

Most of the Corporation's OxC-beta™ Technology applications require regulatory approval before they can be commercialized. Animal feed products, such as OxC-beta™ Livestock, can take many years to receive regulatory approvals in many countries and face a significant degree of uncertainty of receiving approval and subsequent market success. With New Zealand, Australia, Taiwan, Thailand, Mexico, Malaysia, Brazil, and the Philippines approved for distribution for major livestock species as of the date of this report and self-affirmed GRAS status in the U.S., the Corporation is actively working to gain approval in other Asian jurisdictions such as South Korea, China, Vietnam, and Indonesia. The Corporation's self-affirmed GRAS status allows the product to be sold in the U.S. In concert with this strategy, the Corporation recently retained consultants whose primary focus is to help expedite the approval process within Canada, and China. Other applications for OxC-beta™ Technology, such as pet supplements, may require less data for regulatory approval but need marketing resources and an effective marketing campaign to attain commercial success.

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

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The Corporation has not obtained profitable operations to date. For the fiscal year ended October 31, 2020, the Corporation had a net loss from all operations of \$(4,751,287) (fiscal year ended October 31, 2019: \$(4,836,420)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is \$(35,136,696) as of October 31, 2020 (October 31, 2019: \$(31,012,699)). These circumstances cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry out its business objectives, and was successful in raising additional equity and debt financing in the current and prior fiscal years. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

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

Financial Position of the Corporation **Selected Balance Sheet Data**

	As at	As at
	October 31, 2020	October 31, 2019
Cash and cash equivalents	\$ 664,149	\$ 1,085,945
Total assets	\$ 2,176,142	\$ 1,887,679
Current liabilities	\$ 2,351,892	\$ 1,301,890
Non-current portion of debt	\$ 4,591,860	\$ 3,842,004
Total liabilities	\$ 6,943,752	\$ 5,143,894
Total shareholders' equity (deficiency)	\$ (4,767,610)	\$ (3,256,215)

Covid-19

The Corporation assessed possible and future 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 fiscal year 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 foreseeable future. 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 to the financial statements for the fiscal year ended October 31, 2020, the Corporation has applied for and received funding from certain government grants. Remaining funding under these grant programs, if any, will be recognized when there is reasonable assurance that the grant will be received. As disclosed within the notes to the financial statements for the fiscal year ended October 31, 2020, ACOA deferred the collection of the current period obligation to an expected date of June 30, 2021 and National Research Council could provide rent concessions such as deferring or adjusting future rent payments.

On March 18, 2020, the Corporation took the decision to temporarily close the physical offices and require all staff to work from home. Most of the Corporation's operations allowed for all staff to work from home and the disruption to operations by COVID-19 was not significant for the Corporation. However, business development has continued to be challenging due to restrictions on travel, shelter at home orders, and other operational disruptions affecting our current and potential customers. Some members of staff have returned to the laboratory and office space at NRC facilities in Ottawa and Charlottetown, but the Corporation will continue working primarily in this remote fashion until such time as management believes, based on the stages of COVID-19 and the advice of government health authorities, that the risk to staff, suppliers, customers and stakeholders is reduced sufficiently. At such time, all recommended safety precautions, including physical distancing measures, continue to be implemented.

As noted, the Corporation is conducting business with substantial modifications to employee travel, employee work locations and virtualization or cancellations of such activities as business development, marketing, and investor relations events. The Corporation has substantially modified interactions with customers and suppliers, among other modifications. Management may take further actions that alter

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business operations as may be required by various levels of government, or that it determines are in the best interest of the Corporation's employees, customers, partners, suppliers, and shareholders. However, there is no certainty that such measures will be sufficient to mitigate the direct and indirect effects of COVID-19 and the Corporation's financial condition and results of operations could be affected. The degree to which COVID-19 will affect results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain COVID-19, the impact of the pandemic and related restrictions on economic activity and the extent of the impact of these and other factors on the Corporation's employees, partners, suppliers and customers. COVID-19 has also caused heightened uncertainty and volatility in the global economy. If economic growth slows further or if a recession develops, customers may not have the financial means to purchase the Corporation's products, negatively impacting the statement of comprehensive loss and the statement of financial position. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreak and the related impact on the global economy may not be fully reflected in the Corporation's statement of comprehensive loss and statement of financial position until future periods. Further, volatility in the capital markets has been heightened since March 2020 and such volatility may continue, which may cause declines in the price of the Corporation's shares and may affect its ability to raise working capital through equity or debt transactions.

Atlantic Canada Opportunities Agency Agreements

The Corporation entered into two agreements to obtain loans from the Atlantic Canada Opportunities Agency ("ACOA"). Under the first agreement, which was dated August 15, 2006, the Corporation drew \$2,052,131 of which \$32,498 was repaid for a remaining obligation of \$2,019,633. Under the second agreement, which was dated March 24, 2010, the Corporation drew \$1,334,400 of which \$117,278 was repaid for a remaining obligation of \$1,217,122.

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 the fair value using discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. Management recalculates the carrying amount by computing the present value of the estimated future cash flows at the original effective interest rate of 35%. Any adjustments are recognized in the consolidated statement of 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 was originally due on June 30, 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 agreed to delay the repayment to June 30, 2021.

The ACOA repayment of \$117,786 based on OxC-Beta product sales of \$1,177,857 in the fiscal year ended October 31, 2020 is due on June 30, 2021. A combined total of \$215,531 is due on June 30, 2021.

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

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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-Merton 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 are expensed using the effective interest method up to the maturity date of the Senior Secured Debentures.

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.

Promissory Note

On October 14, 2020, the Corporation received \$500,000 in debt funding via an unsecured promissory note issued by the Bloom Burton Healthcare Lending Trust. The promissory note bears interest at a rate of 12% per annum and is repayable on demand. If the Corporation repays the promissory note in full on or prior to November 13, 2020, the interest payable will be fixed at \$5,000. The promissory note has no conversion or equity features.

Canadian Emergency Business Account (CEBA) Loan

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

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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 used the assumption of a 20% discount rate to determine the fair value of the interest-free period. The difference between the amount received in cash and the related fair value was considered a government grant and was recognized as an item of income in the statements of total comprehensive loss.

The Corporation drew the full \$40,000 available to it under the CEBA program and intends to repay \$30,000 on or before December 31, 2022. Initial recognition of the \$40,000 was at its fair value at a discount rate of 20%, representing the Corporation's unsecured credit risk. \$17,677 was recognized as debt and \$22,323 was recognized as a government grant in the statement of total comprehensive loss.

Regional Relief and Recovery Fund (RRRF) Loan

On July 23, 2020, the Corporation obtained access to \$210,000 in repayable funding from the Federal Economic Development Agency for Southern Ontario through the Regional Relief and Recovery Fund. The funding was granted in the form of an interest-free loan of up to \$210,000 to offset fixed operating costs. Repayment of the principal amount of the loan will take place in 60 monthly instalments of \$3,500 beginning on January 15, 2023 and concluding on December 15, 2027. The Corporation used the assumption of a 20% discount rate to determine the fair value of the interest-free loan. 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 statements of total comprehensive loss.

\$168,000 was received on July 23, 2020. Recognition of the initial \$168,000 drawdown of the loan was at its fair value using a discount rate of 20%, representing the Corporation's unsecured credit risk. \$65,439 was recognized as debt and \$102,561 was recognized as a government grant in the statement of total comprehensive loss. The remaining \$42,000 of funding was received on August 11, 2020, at which time \$16,632 was recognized as debt and \$25,368 was recognized as a government grant in the statement of comprehensive loss.

The undiscounted future repayments of principal and interest per fiscal year on the Corporation's debt obligations are as follows:

	ACOA loans	Senior Secured Debentures	Promissory note	CEBA Loan	RRRF Loan	Total
2021	\$ 215,531	\$ 645,111	\$ 502,795	\$ -	\$ -	\$ 1,363,436
2022	Note 1	5,702,528		-	-	5,702,528
2023		-		30,000	35,000	65,000
2024		-		-	42,000	42,000
2025		-		-	42,000	42,000
2026		-		-	42,000	42,000
2027		-		-	42,000	42,000
2028		-		-	7,000	7,000
Indeterminate ¹	3,021,224	-	-	-	-	3,021,224
Total	\$ 3,236,755	\$ 6,347,639	\$ 502,795	\$ 30,000	\$ 210,000	\$10,327,188

Note 1: The ACOA repayable funding is based on 10% of prior years' revenue. It is not possible to estimate the future payments of \$3,021,224 at this time.

Debt Obligations

In addition to the Corporation's debt obligations, the Corporation's major outstanding obligations include accounts payable and accrued liabilities of \$788,227 which are due within the current period, and mostly within 30 days.

The Corporation has approximately \$291,000 of unrecognized contractual commitments as at October 31, 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.

Lease Obligations

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

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 within the financial statements 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	19,594
Subtract: lease payments during the reporting period	(52,864)
Lease liability as at October 31, 2020	\$ 261,382

Right-of-use assets as at November 1, 2019 (see above liability before deposits and prepayments)	\$ 54,912
Add: present value of modification of leases within the reporting period	251,061
Subtract: depreciation charge during the reporting period	(120,299)
Right-of-use assets as at October 31, 2020	\$ 185,674

Details on the Corporation's lease liabilities are as follows:

As at October 31, 2020	Lease liability	
Maturity analysis – undiscounted cash flows per fiscal year		
2021	\$	174,404
2022		78,308
2023		25,508
Total undiscounted lease liabilities	\$	278,220

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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 June 30, 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.

China JV

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 Agreement

On July 24, 2018, the Corporation entered into a two-year consulting agreement with the former China JV partner to provide business advice in the China market. Under the terms of the agreement, the consultant was issued common shares of the Corporation equal in value to \$50,000 per year, valued at the closing share price on the date of each anniversary of the agreement.

For the fiscal year ended October 31, 2020 and October 31, 2019, the Corporation recognized \$50,000 in consulting fees. In settlement of the consulting fees, 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 the 2019 fees. On August 27, 2020, the Corporation issued 112,359 common shares at a price of \$0.445 per share in settlement of the 2020 fees.

Centre Beach Joint Venture

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 fiscal year ended October 31, 2020 the Corporation recognized \$27,277 in expenses related to the activity of the joint venture and its financial obligation to fund the joint venture (October 31, 2019: Nil).

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Summary of Quarterly Results

	3 Months Ended with year-to-date (YTD)				
	October 31 2020	July 31 2020	April 30, 2020	January 31 2020	YTD Total 2020
Total Revenue	\$287,627	\$612,530	\$29,625	\$247,805	\$1,177,857
Total Comprehensive Loss	\$(1,238,586)	\$(787,424)	\$(1,393,497)	\$(1,331,780)	\$(4,751,287)
Net Loss per Share (Basic and Diluted)	\$(0.03)	\$(0.02)	\$(0.03)	\$(0.04)	\$(0.12)

	3 Months Ended with year-to-date (YTD)				
	October 31, 2019	July 31 2019	April 30 2019	January 31 2019	YTD Total 2019
Total Revenue	\$338,858	\$12,484	\$303,984	\$322,125	\$977,451
Total Comprehensive Loss	\$(1,123,019)	\$(1,278,685)	\$(1,292,919)	\$(1,141,797)	\$(4,836,420)
Net Loss per Share (Basic and Diluted)	\$(0.03)	\$(0.04)	\$(0.04)	\$(0.03)	\$(0.14)

Selected Financial Information

	Fiscal year ended	
	October 31, 2020	October 31, 2019
Revenue	\$ 1,177,857	\$ 977,451
Operating expenses	\$ 3,885,250	\$ 4,469,390
Finance cost, net	\$ 1,337,017	\$ 893,511
Total loss	\$ (4,751,287)	\$ (4,836,420)
Basic and diluted loss per share	\$ (0.12)	\$ (0.14)

Results of Operations

Year ended October 31, 2020 compared to year ended October 31, 2019

	October 31, 2020	October 31, 2019	Variance
Revenues	\$ 1,177,857	\$ 977,451	\$ 200,406
Cost of products sold	706,877	450,970	(255,907)
Gross margin	470,980	526,481	(55,501)
Salaries, board fees, and benefits	1,474,750	1,549,351	74,601
Professional fees and other	2,534,640	2,618,251	83,611
Share-based payments	318,804	317,904	(900)
Joint venture termination	-	50,000	50,000
Government grants	(597,714)	(70,752)	526,962
Depreciation of equipment and right-of-use assets	127,493	4,636	(122,857)
Investment loss in associate	27,277	-	(27,277)
Total operating expenses before finance cost and income taxes	3,885,250	4,469,390	584,140
Finance cost, net	1,337,017	893,511	(443,506)
Total loss before income taxes	(4,751,287)	(4,836,420)	85,133
Income Taxes			
Current and deferred income tax	-	-	-
Total comprehensive loss for the period	\$ (4,751,287)	\$ (4,836,420)	\$ 85,133

Revenue for the fiscal year ended October 31, 2020 totaled \$1,177,587 compared to \$977,451 for the fiscal year ended October 31, 2019. The difference of \$200,406 is due mainly to sales of OxC-Beta™ Technology product into Mexico and the Philippines.

Operating expenses for the fiscal year ended October 31, 2020 totaled \$3,885,250 compared to \$4,469,390 for the fiscal year ended October 31, 2019. The difference of \$(584,140) is due mainly to the recognition of COVID-related government grants.

Total comprehensive loss for the fiscal year ended October 31, 2020 totaled \$4,751,287 compared to a total comprehensive loss of \$4,836,420 for the fiscal year ended October 31, 2019. The difference of \$85,133 is due mainly to increased sales of OxC-Beta™ Technology product and the recognition of COVID-related government grants offset by increased finance cost.

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Finance cost for the years ended October 31, 2020 and October 31, 2019 consists of the following:

	October 31, 2020	October 31, 2019
For the fiscal years ended:		
Interest accretion on ACOA loans	\$ 138,122	\$ 129,230
Adjustment to present value of ACOA loans	130,784	(32,345)
Interest accretion and amortization of transaction costs on debenture long-term debt	1,048,261	599,384
Interest accretion and amortization of transaction costs on BBHLT long-term debt	-	134,795
Interest accretion on settlement of BBHLT long-term debt	-	62,447
Interest accretion on lease liabilities	19,594	-
Interest accretion on government loans	6,468	-
Interest accretion on promissory note	2,795	-
Deposit interest on short-term investments and demand accounts	(9,007)	-
Total finance cost	\$ 1,337,017	\$ 893,511

Finance cost for the year ended October 31, 2020 increased by \$443,506 compared to the prior year. This is due mainly to the higher debt balances, the interest accretion on the Senior Secured Debentures that were obtained on March 28, 2019, government loans obtained within the year, and interest accretion on lease liabilities recognized under IFRS 16.

Comparison of Cash Flows

	October 31, 2020	October 31, 2019
Cash Flows from (used in) Operating Activities		
Net loss	\$ (4,751,287)	\$ (4,836,420)
Items not affecting cash and non-cash adjustments:		
Depreciation of equipment and right-of-use asset	127,493	4,636
Share-based payments	318,804	317,904
Government grants	(150,251)	-
Finance cost, net of deposit interest and fees settled in equity	1,238,464	893,511
Common shares reserved for issuance	-	100,000
Maintenance fees on long-term debt settled in equity	107,560	-
Equity investment in associate	25,825	-
Net effect of foreign exchange rates on cash and cash equivalents	3,149	(23)
Changes in operating working capital items:		
Trade and other receivables	(477,618)	93,797
Inventories	45,751	(16,607)
Prepaid expenses	(55,597)	127,481
Accounts payable and accrued liabilities	232,019	(206,371)
Net Cash Flows used in Operating Activities	(3,335,688)	(3,522,092)
Cash Flows used in Investing Activities		
Purchase of equipment	(44,295)	(109,204)
Net Cash Flows used in Investing Activities	(44,295)	(109,204)
Cash Flows from (used in) Financing Activities		
Proceeds from the issuance of private placement units	3,000,000	-
Share issuance cost	(236,472)	-
Proceeds from the issuance of debt	500,000	4,302,400
Proceeds from common shares issued with debt	-	1,075,600
Transaction fees on the issuance of debt and warrants issued with debt	-	(336,821)
Settlement of principal and accrued interest on debt	-	(2,034,929)
Settlement of consulting fee in common shares	50,000	-
Proceeds from government loans and grants	250,000	-
Repayment of interest on debt	(537,987)	(389,168)
Repayment of ACOA loans	-	(107,257)
Payment of lease liabilities	(64,185)	-
Net Cash Flows from (used in) Financing Activities	2,961,356	2,509,825
Increase (decrease) in cash and cash equivalents during the period	(418,627)	(1,121,471)
Net effect of foreign exchange rate changes on cash and cash equivalents	(3,149)	23
Cash and cash equivalents, beginning of period	1,085,945	2,207,393
Cash and cash equivalents, end of period	\$ 664,169	\$ 1,085,945

For the year ended October 31, 2020, the net decrease in cash of \$418,627 is the result of \$3,335,688 used in operating activities, consisting mainly of \$4,751,287 in losses from operations, offset by \$255,445

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in changes in working capital, \$318,804 in share-based payments, \$127,493 in depreciation of assets, and \$1,238,464 in interest accretion. Cash flows from financing activities of \$2,961,356 consisted of \$537,987 in interest paid on the Corporation's long-term debt, \$236,472 in share issuance cost, and \$64,185 in payments on lease liabilities offset by \$3,000,000 in proceeds from the issuance of common shares and \$250,000 in proceeds from government loans, and \$500,00 in debt funding. Investing activities consist of \$44,295 for the purchase of equipment.

For the year ended October 31, 2019, the net decrease in cash of \$1,121,471 is the result of \$3,522,092 used in operating activities, consisting mainly of \$4,836,420 in losses from continuing operations offset by \$(1,700) in changes in working capital, \$100,000 for common shares reserved for issuance, and \$893,511 in interest accretion. Cash flows from financing activities of \$2,509,825 consisted of net proceeds of \$5,041,179 in the issuance of Senior Secured Debentures offset by \$(2,531,354) in the repayment of existing long-term debt and repayment of interest. The \$2,395,797 consists of \$1,800,000 in principal and \$304,705 in accrued interest repaid on the Bloom Burton credit facility, \$319,392 in interest paid on the Debentures, and \$107,257 in principal repaid on the ACOA loans. Investing activities consist of \$109,204 for the purchase of equipment.

The Corporation may continue efforts to raise funds by way of generating revenues and/or through the issuance of debt, warrants, and/or common shares. As of October 31, 2020, the Corporation has issued 41,766,212 common shares and has 8,709,798 total warrants outstanding. The Corporation has also granted 2,653,162 stock options.

Shareholders' Equity

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

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.

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

On November 25, 2019, the Corporation issued 80,645 common shares at a price of \$0.62 per share in settlement of a \$50,000 consulting fee.

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. The investor warrants were assigned a relative fair value of \$263,238 based on a Black-Scholes-Merton calculation with the following assumptions: share price of \$0.58, exercise price of \$0.75, time to maturity of 3 years, annual risk-free interest rate of 1.66% based on Canada three-year benchmark bond yield, and a historical 3-year stock volatility of 93.3%.

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. The investor warrants were assigned a relative fair value of \$329,710 based on a Black-Scholes-Merton calculation with the following assumptions: share price of \$0.56, exercise price of \$0.75, time to maturity of 3 years, annual risk-free interest rate of 1.41% based on Canada three-year benchmark bond yield, and a historical 3-year stock volatility of 82.4%.

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

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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.

On August 27, 2020, the Corporation issued 112,359 common at \$0.445 per share in settlement of a \$50,000 consulting fee.

Summary of Outstanding Shares and Dilutive Instruments

As of October 31, 2020 and December 15, 2020, the Corporation had 41,766,212 common shares outstanding. As at October 31, 2020, the Corporation had 7,804,241 investor warrants and 905,557 agent warrants for a total of 8,709,798 warrants issued. As at December 15, 2020, the Corporation had 7,804,241 investor warrants and 622,477 agent warrants for a total of 8,426,718 warrants issued.

Date of Issue	Subscriber Warrants	Agent Warrants	Term (Years)	Date of Expiry	Exercise Price
1-Jun-2016	2,774,991			31-Mar-2021 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
	7,804,241	905,557			

Note 1: On September 15, 2020, the Corporation received approval from the TSX.V to extend the expiry date of 2,774,991 subscriber warrants from September 30, 2020 to March 31, 2021.

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

As at October 31, 2020, the Corporation had 2,653,162 options outstanding, of which 2,032,537 were vested and exercisable. As at December 15, 2020, the Corporation had 2,653,162 options outstanding, of which 2,170,037 were vested and exercisable.

Board and Management Compensation

For the fiscal year ending October 31, 2020, the Board of Directors was compensated as follows: an annual retainer of \$70,000 for the Chairman of the Board of Directors, and an annual retainer of \$35,000 for each non-management member of the Board. Additional annual retainers were as follows: \$12,000 for the Chairman of the Audit Committee, \$10,000 for the Chairman of the Governance and Compensation Committee, and \$5,000 for each committee member paid on a per-committee basis. The Chairman of the Board did not receive any additional retainers. The Chairman of the Audit Committee also received an additional \$25,000 per year.

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

During the fiscal year ended October 31, 2020, the Corporation's Officers and Directors earned the following compensation for their service as Officers and Directors (\$24,495 was unpaid):

<i>Compensation and share-based payments for the fiscal year ended October 31, 2020</i>		
Officers and Directors		
Kym Anthony, CEO and Director	\$	419,524
Chris Boland, Chief Financial Officer		215,314
Graham Burton, Chief Scientific Officer		156,285
Aubrey Dan, Director and Chairman of Governance and Compensation Committee		81,615
Dave Hankinson, Vice Chairman of the Board		75,453
Jeffrey Kraws, Chairman of the Board		116,005
Paul Mesburis, Chairman of Audit Committee		114,541
James Nickerson, Exec. VP of Business Development & Product Innovation		146,199
Total compensation and share-based payments	\$	1,324,936

Other Critical Accounting Estimates

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 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 impacts the initial fair value of the loan, as well as the carrying value of the loans at each reporting date. The Corporation is in the commercialization and early-revenue stages for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimate of future revenues assumes some revenue growth in the near future. 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 the ACOA 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 ACOA loans at October 31, 2020 would have been an estimated \$120,967 lower or \$210,327 higher, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at October 31, 2020 being an estimated \$33,515 higher or \$48,222 lower, respectively. If the total forecasted revenue were reduced to \$nil, no amounts would be forecast to be repaid on the non-current portion of the ACOA loans and the ACOA loan at October 31, 2020 would be \$215,531, which would be a reduction in the ACOA loan by \$388,413.

Carrying value of government loans

To determine the fair value of the RRRF and CEBA government loans and the related government grants, management used a discount rate of 20% for each loan, representing the Corporation's unsecured credit risk.

Share-based payments

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

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

Future accounting pronouncements - Standards issued but not yet effective

As at the date the Corporation's Board of Directors approved the financial statements and MD&A, 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.

All new standards, amendments, and annual improvements were early adopted where possible and/or had no significant impact on the financial statements of the Corporation, except the IFRS 16 amendment as discussed above and in the notes to the financial statements.

In certain cases, new standards, amendments, and annual improvements were not relevant to the Corporation.

Events after the reporting period

On November 30, 2020, 283,080 agent warrants with an exercise price of \$1.00 expired.

On November 17, 2020, the Corporation received approval from the TSX Venture Exchange to extend the expiry date of 2,029,250 subscriber warrants from November 30, 2020 to June 30, 2021.

On November 24, 2020, the Corporation received \$350,000 in debt funding via an unsecured promissory note issued by the Bloom Burton Healthcare Lending Trust. The new promissory note bears the same terms, conditions, and interest as the \$500,000 promissory note issued on October 14, 2020.

On November 26, 2020, the Corporation collected \$43,927 in HST receivable. On November 30, 2020, the Corporation collected \$40,153 in refundable SRED tax credits.

Subsequent to October 31, 2020, the Corporation received \$267,809 in settlement of certain trade receivables.

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