

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

September 5, 2018

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 three and nine month periods ended July 31, 2018 and July 31, 2017 was prepared by management of Avivagen Inc. ("Avivagen" or the "Corporation") and approved by the Board of Directors on September 5, 2018.

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

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

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

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

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

This MD&A discusses material changes in the Corporation's financial condition, results of operations and cash flows for the three and nine month periods ended July 31, 2018. Such discussion and comments on liquidity and capital resources should be read in conjunction with the unaudited interim financial statements dated July 31, 2018 and related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The reader should also refer to the Corporation's Annual Information Form dated July 4, 2018, 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

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about the Corporation's expectations with respect to future orders of its OxC-beta™ Livestock product, revenues, expenses, assets, and liabilities; whether UNAHCO will scale up the commercial roll out of OxC-beta™ Livestock by purchasing a recurring, monthly or quarterly supply for use in swine; whether UNAHCO will continue making purchases from Avivagen or increase its level of purchases; the Corporation's intention to pursue additional funds through long-term debt or equity financings; the Corporation's expectations with respect to future R&D expenditures; the 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 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 and the funding required for such processes; the Corporation's plans to expand into additional geographic markets; the ability of the Corporation and its products to access the human supplement, prophylactic or therapeutic markets; anticipated effects or outcomes of commercial agreements entered into by the Corporation; the Corporation's expectations with respect to total global animal feed production in target species of poultry, swine and cattle to which OxC-beta™ Livestock could be added; 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- 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 single client; reliance on a sole source for manufacturing; and reliance on third parties for marketing and distribution of products.

Corporation Overview

Avivagen is domiciled in Canada and is located at 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6. The Corporation is a life-sciences company that is developing and commercializing products to support animal immune health, including replacing antibiotics in livestock feeds to optimize the health and growth of the animals by supporting the animal's own health defences. The Corporation's unique, proprietary technology, known as OxC-beta™ (fully-oxidized beta-carotene) Technology, is based on Avivagen's discovery of the propensity of the micronutrient β -carotene to naturally undergo oxidation to generate polymeric oxidation products. This previously unrecognized class of compound possesses a unique combination of immunological health benefits that very plausibly account for β -carotene's non-vitamin A activity.

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 replacement product for in-feed antibiotics for livestock 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 optimizes 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 food animal production and can threaten human health.

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

A major milestone for the Corporation was the publication in April 2016 in the American Chemical Society's Journal of Agricultural and Food Chemistry of a peer-reviewed scientific publication "Discovery and Characterization of Carotenoid-Oxygen Copolymers in Fruits and Vegetables with Potential Health

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Benefits". The paper reported the important discovery that counterparts of fully oxidized beta carotene ("OxBC"), containing the bioactive β -carotene-oxygen copolymer component of OxC-beta™ Livestock, occur naturally in a variety of foods at levels that are expected to beneficially affect immune function. This new knowledge is of major importance to the Corporation in gaining regulatory acceptance throughout the world for the use of the Corporation's OxC-beta™ Technology in animals and humans. The discovery also has provided the Corporation with the opportunity to expand its patent portfolio by filing for intellectual property protection for the natural forms and counterparts of OxBC.

The Corporation believes that OxC-beta™ Livestock has the potential to replace antibiotics in its food-animal applications: field trials have established that it helps maintain optimal health and thereby provides similar 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 Asian livestock integrators and exploratory trials with qualified universities or research institutes. Identities of trial collaborators and summary trial results have been disclosed in Avivagen's news releases.

In 2017, the Corporation delivered its first industrial-scale orders of OxC-beta™ Livestock to the feed industry. These purchases by UNAHCO, Inc. in the Philippines during 2017 were for 1,100kg of OxC-beta™ Livestock 10% premix at pricing in line with Avivagen's target. The orders delivered in 2017 supplemented approximately 55 million kg of UNAHCO, Inc. branded commercial feed, an amount sufficient for about 22 million broiler chickens or 2.6 million piglets. For the nine-month period ended July 31, 2018, the Corporation delivered a total of 4,000kg of OxC-beta™ Livestock 10% premix to UNAHCO, Inc. (Q1 2018: 800kg, Q2 2018: 1,200kg, Q3 2018: 2,000kg).

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 exceeds 900 million tons¹. Asia, the Corporation's target market for initial commercialization, is the largest single region representing some 35% of total world animal feed consumption.

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 in New Zealand, the Philippines, Taiwan, and Thailand. 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 the USA, Canada, China, and Latin America continue to be priorities for Avivagen. To help guide the Corporation through the regulatory process, several regulatory consultants have been engaged. Consultants have been engaged for the USA, Mexican, Brazilian, and Canadian markets. The regulatory requirements for OxC-beta™ Livestock in China will be addressed through partnerships with a Chinese company which will be coordinating the submission on behalf of the Corporation. The anticipated approval time for the United States is approximately up to two years and China is approximately two years. Regulatory activities are underway in other markets including Mexico, Brazil and Canada, with a time frame of several years.

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 may be required.

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

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For companion animals, the Corporation has created a branded line of OxC-beta™ Technology product, Vivamune™ 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).

In October 2017, the Corporation re-launched Vivamune™ Chews with a multifaceted marketing and rebranding campaign designed to increase brand awareness and market share. The redesigned packaging carries the image and endorsement of Cesar Millan, a recognized figure in the field of dog rehabilitation.

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 \$(24,987,576) (October 31, 2017: \$(22,454,145)). 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, 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.

As at July 31, 2018, the Corporation had cash and cash equivalents of \$3,003,099 (October 31, 2017: \$1,600,137).

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, proceeds from product sales or a licensing arrangement in a timely manner, then these programs and operations in general could be delayed or cease altogether. The Corporation will pursue additional funding to offset portions of the selling, general, and administration cost, and research and development costs. The Corporation expects expenditures for regulatory approvals (including research and development 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, research, and development 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, Taiwan, Thailand, and the Philippines approved for distribution as of the date of this report, the Corporation is actively working to gain approval in other Asian jurisdictions such as South Korea, China, Vietnam, and Indonesia. In concert with this strategy, the Corporation recently retained consultants whose primary focus is to help expedite the approval process within the United States, Canada, Mexico, and Brazil. 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

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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.

The Corporation has not obtained profitable operations to date. For the 3-month period ended July 31, 2018, the Corporation had a net loss from all operations of \$(1,031,779) (July 31, 2018: \$(1,282,415)). Whether and when the Corporation can attain profitability and positive cash flow is uncertain. The accumulated deficit is \$(24,987,576) as of July 31, 2018 (October 31, 2017: \$(22,454,145)). These circumstances cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing to provide adequate cash resources to carry out its business objectives, and was successful in raising additional equity financing in the current fiscal year. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

The Corporation's ability to continue as a going concern is dependent upon the Corporation's ability to obtain the ongoing support of its lenders and investors, obtain profitable operations, generate significant sales and/or raise additional capital. These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the 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 July 31, 2018	As at October 31, 2017
Cash and cash equivalents	\$ 3,003,099	\$ 1,600,137
Total assets	\$ 3,628,655	\$ 1,849,687
Non-current portion of Atlantic Canada Opportunities Agency long-term liabilities	\$ 139,520	\$ 158,530
Non-current portion of long-term debt	\$ 1,724,839	\$ 918,438
Total liabilities	\$ 2,455,052	\$ 1,680,901
Total shareholders' equity	\$ 1,173,603	\$ 168,786

Atlantic Canada Opportunities Agency Agreements

The Corporation entered into two agreements to obtain repayable funding from the Atlantic Canada Opportunities Agency ("ACOA"). Under the first agreement, which was dated August 15, 2006, the Corporation drew \$2,052,131 of which \$19,951 was repaid for a remaining obligation of \$2,032,180. Under the second agreement, which was dated March 24, 2010, the Corporation drew \$1,334,400 of which \$22,568 was repaid for a remaining obligation of \$1,311,832.

The ACOA loans were initially recognized at their fair value, and are subsequently carried at amortized cost as determined by using a discounted cash flow analysis, which requires a number of assumptions. The significant assumptions used in determining 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 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 currently accrued as \$72,629 based on OxC-beta product sales of \$726,288 in the nine-month period ended July 31, 2018 and is due on 30 June 2019. This amount will increase based on sales in the final fiscal quarter of the 2018 fiscal year.

Restatement

In the 2017 and prior fiscal years, the Corporation did not fair value the ACOA research and development repayable funding as required under IFRS 9 *Financial Instruments* and IAS 20 *Government Grants*. The Corporation has restated the financial statements to reflect the fair value. The Corporation uses the

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assumption of a 35% discount rate and future projected revenues to determine the fair value. The fair value is a Level 3 discounted cash flow model. The following table reflects the prior period errors:

	July 31, 2017		
	As Originally Presented	Adjustments	As Restated
Statement of financial position			
Current portion of research and development repayable funding	\$ 18,901	\$ -	\$ 18,901
Long-term portion of research and development repayable funding	\$ 3,350,677	\$ (3,200,694)	\$ 149,983
Statement of comprehensive loss - Three month period			
Accretion of research and development repayable funding	\$ -	\$ 14,011	\$ 14,011
Loss for the period from continuing operations	\$ (1,236,556)	\$ (14,011)	\$ (1,250,567)
Total comprehensive loss for the period from continuing and discontinued operations	\$ (1,268,404)	\$ (14,011)	\$ (1,282,415)
Statement of comprehensive loss - Nine month period			
Accretion of research and development repayable funding	\$ -	\$ 38,707	\$ 38,707
Loss for the period from continuing operations	\$ (3,668,335)	\$ (38,707)	\$ (3,707,042)
Total comprehensive loss for the period from continuing and discontinued operations	\$ (3,739,295)	\$ (38,707)	\$ (3,778,002)
Statement of changes in equity			
Loss for the period from continuing operations	\$ (1,236,556)	\$ (14,011)	\$ (1,250,567)
Accumulated deficit	\$ (24,298,655)	\$ 3,188,994	\$ (21,109,661)
Shareholders' Equity	\$ (1,785,012)	\$ 3,200,695	\$ 1,415,683
Statement of cash flows - Three month period			
Accretion of research and development repayable funding	\$ -	\$ 14,011	\$ 14,011
Statement of cash flows - Nine month period			
Accretion of research and development repayable funding	\$ -	\$ 38,707	\$ 38,707
Loss per share - Three month period			
Loss per share, basic and diluted from continuing operations	\$ (0.04)	\$ -	\$ (0.04)
Loss per share - Nine month period			
Loss per share, basic and diluted from continuing operations	\$ (0.13)	\$ -	\$ (0.13)

Please refer to the audited annual financial statements for October 31, 2017 as issued on December 19, 2017 for more information on the restatement.

Bloom Burton Healthcare Lending Trust Credit Facility

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. The facility matures November 13, 2019, at which time the full principal including all accrued interest becomes payable. The Corporation may prepay amounts outstanding under the facility before the maturity date under the following terms: after November 13, 2017 but before November 13, 2018, the Corporation must pay an additional 3% of any principal amount prepaid; and after November 13, 2018 but before November 13, 2019, the Corporation must pay an additional 2% of any principal amount prepaid.

In consideration for the credit facility, the Trust has been issued warrants to purchase common shares of the Corporation. Such warrants vested and became exercisable in amounts proportionate to the amount of the facility which was drawn down. 500,000 warrants vested as the credit facility was drawn down at an exercise price of \$1.10. The warrants will remain exercisable up to the maturity date subject to potential acceleration under TSX Venture Exchange (TSX.V) policies in the event of repayment prior to the maturity.

On November 13, 2015, the Corporation drew \$1,000,000 and vested 277,778 warrants. On May 17, 2018, the Corporation drew the remaining \$800,000 from the facility and the remaining 222,222 warrants

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

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

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

2018	\$	33,471
2019	\$	140,151
2020	\$	2,119,265
Total	\$	2,292,887

China Joint Venture

The Corporation has a 49% ownership in Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company (the "Joint Venture"), a company incorporated in China. The Joint Venture will assist in marketing, registering and distributing the Corporation's product in China. Shaanxi Jintai Mining Co. (the "Partner") holds a 51% interest and has contributed \$296,055 (1,530,000 Chinese Yuan Renminbi or RMB). Since the Corporation has 50% representation on the Board of Directors, the Corporation has joint control and must account for the Joint Venture as an associate under the guidance of IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*. The arrangement is that the 51% Partner will make all contributions up to \$296,055 (1,530,000 RMB). Once the Joint Venture has achieved profitability, equity will be distributed and returned to the Partner until its initial contributions are repaid. Once the Partner's initial contribution has been repaid, the Corporation will begin making equity contributions until \$284,445 is funded (1,470,000 RMB). Under IAS 28 *Investments in Associates and Joint Ventures*, there is no equity asset or equity liability recognized on the statement of financial position, as the Corporation has made no contributions to the entity, the Corporation does not share in the current profit or loss of the joint venture on the Joint Venture's statement of comprehensive loss to date, and has received no dividends or distributions. The Corporation has no current obligation to fund the Joint Venture under IAS 28 *Investments in Associates and Joint Ventures* or IAS 37 *Provisions and Contingent Liabilities*. However, the Corporation has a commitment to make contributions up to \$284,445 (1,470,000 RMB) and/or transfer sales rights ("Option") over the next ten years under certain events. As part of the initial agreement, the Corporation has granted to the Partner an exclusive distribution license to the poultry and swine market in China. The agreement also allows an Option which, if exercised by the Partner, will transfer an exclusive distribution license to the cattle and goat market in China. The Joint Venture's functional currency is assessed as the Chinese Renminbi. See *Events After the Reporting Period* on page 15 for more information.

Obligations

In addition to the ACOA and Trust loans, the Corporation's major outstanding obligations include accounts payable and accrued liabilities of \$380,429 which are due within the current period, and mostly within 30 days.

The Corporation is committed under agreements for the rental of office space at a monthly rate of \$11,486 for the 2018 fiscal year and increases in future periods. The agreements will expire on March 31, 2020. The leases may be terminated by either party with nine months' notice. This operating lease, as the lessee, requires rental payments over the life of the lease as follows (undiscounted value per fiscal year):

2018	\$	34,459
2019	\$	139,316
2020	\$	58,489
Total	\$	232,264

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Summary of Quarterly Results from Continuing Operations

	Three Months Ended with year-to-date (YTD)			
	July 31 2018	April 30 2018	January 31 2018	YTD Total 2018
Total Revenue from continuing operations	\$364,213	\$218,879	\$143,196	\$726,288
Total Comprehensive Loss from continuing operations	\$(1,031,779)	\$(1,019,555)	\$(1,241,588)	\$(3,292,922)
Net Loss per Share (Basic and Diluted) from continuing operations	\$(0.03)	\$(0.03)	\$(0.04)	\$(0.10)

	Three Months Ended with year-to-date (YTD)				
	October 31 2017	July 31 2017	April 30 2017	January 31 2017	YTD Total 2017
Total Revenue from continuing operations	\$65,633	\$144,217	\$5,529	\$40,281	\$255,660
Total Comprehensive Loss from continuing operations	\$(1,338,603)	\$(1,250,567)	\$(1,441,584)	\$(1,014,891)	\$(5,045,645)
Net Loss per Share (Basic and Diluted) from continuing operations	\$(0.04)	\$(0.04)	\$(0.05)	\$(0.04)	\$(0.17)

	Three Months Ended with year-to-date (YTD)				
	October 31 2016	July 31 2016	April 30 2016	January 31 2016	YTD Total 2016
Total Revenue from continuing operations	\$6,034	\$0	\$1,601	\$2,921	\$10,566
Total Comprehensive Loss from continuing operations	\$(798,199)	\$(855,084)	\$(601,110)	\$(488,204)	\$(2,742,597)
Net Loss per Share (Basic and Diluted) from continuing operations	\$(0.02)	\$(0.04)	\$(0.03)	\$(0.03)	\$(0.12)

Selected Financial Information from Continuing Operations

	3 month period ended	
	July 31, 2018	July 31, 2017
Revenue	\$ 364,213	\$ 144,217
Operating expenses ¹	\$ 1,257,554	\$ 1,353,197
Total loss	\$ (1,031,779)	\$ (1,250,567)
Basic and diluted loss per share	\$ (0.03)	\$ (0.04)

	9 month period ended	
	July 31, 2018	July 31, 2017
Revenue	\$ 726,288	\$ 190,027
Operating expenses ¹	\$ 3,743,296	\$ 3,840,949
Total loss	\$ (3,292,922)	\$ (3,707,042)
Basic and diluted loss per share	\$ (0.10)	\$ (0.13)

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

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Results of Continuing Operations

3 months ended July 31, 2018 compared to 3 months ended July 31, 2017

	3 months ended 31 July 2018	3 months ended 31 July 2017 (Restated)	Variance
Continuing operations			
Revenues	\$ 364,213	\$ 144,217	\$ 219,996
Cost of products sold	\$ 138,438	\$ 41,587	\$ (96,851)
Gross margin	225,775	102,630	123,145
Selling, general and administration	979,404	1,037,033	57,629
Research and development	182,828	256,743	73,915
Depreciation of equipment	1,159	-	(1,159)
Interest on long-term debt	69,761	39,967	(29,794)
Interest on research and development repayable funding	18,959	14,011	(4,948)
Amortization of transaction costs on long-term debt	5,443	5,443	-
Total expenses	1,257,554	1,353,197	95,643
Loss before income taxes from continuing operations	(1,031,779)	(1,250,567)	218,788
Income Taxes			
Current and deferred income tax expense	-	-	-
Total comprehensive loss for the period from continuing operations	(1,031,779)	(1,250,567)	218,788
Total comprehensive loss for the period from discontinued operations	\$ -	\$ (31,848)	\$ 31,848
Total comprehensive loss for the period from continuing and discontinued operations	(1,031,779)	(1,282,415)	250,636

Revenue from continuing operations for the 3-month period ended July 31, 2018 totaled \$364,213 compared to \$144,217 for the 3-month period ended July 31, 2017. This difference of \$219,996 is due mainly to sales of OxC-beta™ Technology product to a single customer.

Expenses from continuing operations for the 3-month period ended July 31, 2018 totaled \$1,257,554 compared to \$1,353,197 for the 3-month period ended July 31, 2017. The difference of \$95,643 is due mainly to expenses incurred related to the termination of the then-current CEO in the 2017 period.

Comprehensive loss from continuing operations for the 3-month period ended July 31, 2018 totaled \$(1,031,779) compared to a comprehensive loss of \$(1,250,567) for the 3-month period ended July 31, 2017. The difference of \$(218,788) is due mainly to expenses incurred related to the termination of the then-current CEO in the 2017 period.

9 months ended July 31, 2018 compared to 9 months ended July 31, 2017

	9 months ended 31 July 2018	9 months ended 31 July 2017 (Restated)	Variance
Continuing operations			
Revenues	\$ 726,288	\$ 190,027	\$ 536,261
Cost of products sold	\$ 275,914	\$ 56,120	\$ (219,794)
Gross margin	450,374	133,907	316,467
Selling, general and administration	2,990,004	3,141,773	151,769
Research and development	528,532	526,964	(1,568)
Depreciation of equipment	1,381	-	(1,381)
Interest on long-term debt	153,430	117,176	(36,254)
Weighted average common shares issued and outstanding	53,619	38,707	(14,912)
Amortization of transaction costs on long-term debt	16,330	16,329	(1)
Total expenses	3,743,296	3,840,949	97,653
Loss before income taxes from continuing operations	(3,292,922)	(3,707,042)	414,120
Income Taxes			
Current and deferred income tax expense	-	-	-
Total comprehensive loss for the period from continuing operations	(3,292,922)	(3,707,042)	414,120
Total comprehensive loss for the period from discontinued operations	\$ -	\$ (70,960)	\$ 70,960
Total comprehensive loss for the period from continuing and discontinued operations	(3,292,922)	(3,778,002)	485,080

Revenue from continuing operations for the 9-month period ended July 31, 2018 totaled \$726,288 compared to \$190,027 for the 9-month period ended July 31, 2017. This difference of \$536,261 is due mainly to sales of OxC-beta™ Technology product to a single customer.

Expenses from continuing operations for the 9-month period ended July 31, 2018 totaled \$3,743,296 compared to \$3,840,949 for the 9-month period ended July 31, 2017. The difference of \$97,653 is due mainly to expenses incurred related to the termination of the then-current CEO in the 2017 period.

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Comprehensive loss from continuing operations for the 9-month period ended July 31, 2018 totaled \$(3,292,922) compared to a comprehensive loss of \$(3,707,042) for the 9-month period ended July 31, 2017. The difference of \$404,120 is due mainly to expenses incurred related to the termination of the then-current CEO in the 2017 period offset by increased revenues compared to the prior 9-month period.

The following details the nature of expenses for the 3- and 9-month periods ended July 31, 2018 and 2017:

	3 months ending		9 months ending	
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017
Selling, general, and administrative				
Salary, wages, and benefits	\$ 239,991	\$ 304,348	\$ 688,947	\$ 1,042,001
Professional fees and other	508,378	572,124	1,797,105	1,757,608
Board fees	43,996	48,469	139,285	144,759
Share-based payment	187,039	112,092	364,667	197,405
Total selling, general, and administrative	\$ 979,404	\$ 1,037,033	\$ 2,990,004	\$ 3,141,773
Research and development				
Salary, wages, and benefits	\$ 113,872	\$ 108,454	\$ 330,645	\$ 299,748
Professional fees and other	68,956	148,289	197,887	227,216
Total research and development	\$ 182,828	\$ 256,743	\$ 528,532	\$ 526,964

Selling, general and administration expenses, as noted in the table above, were \$979,404 for the 3-month period ended July 31, 2018, compared to \$1,037,033 for the 3-month period ended July 31, 2017.

Expenses for the 3-month period ended July 31, 2018 were \$57,629 lower due to decreased salary expenses due to the departure of the then-current CEO as well as decreased legal and registration expenses.

Board fees paid in the 3-month period ended July 31, 2018 were \$43,996 compared to \$48,469 for the same period in the prior year due to the departure of a member of the Board of Directors. Share-based payments for the 3-month period ended July 31, 2018 were \$187,039 compared to \$112,092 for the same period in the prior year due to a recent option grant in the prior 3-month period ended April 30, 2018.

Selling, general, and administrative expenses of \$979,404 consist mainly of professional fees and salary and wages in support of the business development and registration expenses noted above.

Research and development costs were \$182,828 for the 3-month period ended July 31, 2018 compared to \$256,743 for the 3-month period ended July 31, 2017. Research and development costs were \$73,915 lower due mainly to reduced expenses related to Corporation-sponsored product trials.

Selling, general and administration expenses, as noted in the table above, were \$2,990,004 for the 9-month period ended July 31, 2018, compared to \$3,141,773 for the 9-month period ended July 31, 2017.

Expenses for the 9-month period ended July 31, 2018 were \$151,769 lower due to decreased salary expense due to the departure of the then-current CEO as well as decreased legal and registration expenses.

Board fees paid in the 9-month period ended July 31, 2018 were \$139,285 compared to \$144,759 for the same period in the prior year. Share-based payments for the 9-month period ended July 31, 2018 were \$364,667 compared to \$197,405 for the same period in the prior year due to additional grants of options in the 9-month period ended July 31, 2018.

Selling, general, and administrative expenses of \$2,990,004 for the 9-month period ended July 31, 2018 consist mainly of professional fees and salary and wages in support of the business development and registration expenses noted above.

Research and development costs were \$528,532 for the 9-month period ended July 31, 2018 compared to \$526,964 for the 9-month period ended July 31, 2017. Research and development costs were \$1,568 higher due mainly to decreased expenses related to product trials.

Results of Discontinued Operations

On September 25, 2017, the Corporation disposed of its chemistry products operating segment. The Corporation did not dispose of any assets or liabilities that were recorded on the statement of financial position. Intangible assets transferred in the disposal were not recorded on the statement of financial position as they did not meet the recognition criteria of IFRS.

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Loss per share from discontinued operations for the three month period

	<u>July 31, 2017</u>
Loss attributable to equity holders for basic loss from discontinued operations	\$ (31,848)
Weighted average number of common shares for basic loss per share	<u>29,114,211</u>
Loss per share (basic and diluted)	<u>\$ (0.00)</u>

Loss per share from discontinued operations for the nine month period

	<u>July 31, 2017</u>
Loss attributable to equity holders for basic loss from discontinued operations	\$ (70,960)
Weighted average number of common shares for basic loss per share	<u>29,980,743</u>
Loss per share (basic and diluted)	<u>\$ (0.00)</u>

Summary of Quarterly Results from Discontinued Operations

	Three Months Ended with year-to-date (YTD)				
	October 31 2017	July 31 2017	April 30 2017	January 31 2017	YTD Total 2017
Total Revenue from discontinued operations	\$0	\$17,651	\$34,034	\$22,056	\$73,741
Total Comprehensive Income (Loss) from discontinued operations	\$(19,056)	\$(31,848)	\$(22,007)	\$(17,105)	\$(90,016)
Net Loss per Share (Basic and Diluted) from discontinued operations	\$0	\$0	\$0	\$0	\$0

	Three Months Ended with year-to-date (YTD)				
	October 31 2016	July 31 2016	April 30 2016	January 31 2016	YTD Total 2016
Total Revenue from discontinued operations	\$29,306	\$54,458	\$49,420	\$17,450	\$150,634
Total Comprehensive Income (Loss) from discontinued operations	\$21,505	\$11,682	\$(4,115)	\$(30,429)	\$(1,357)
Net Loss per Share (Basic and Diluted) from discontinued operations	\$0	\$0	\$0	\$0	\$0

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Comparison of Cash Flows

	3 months ending July 31, 2018	3 months ending July 31, 2017 (Restated)	9 months ending July 31, 2018	9 months ending July 31, 2017 (Restated)
Cash Flows from (used in) Operating Activities				
Loss from continuing operations	\$ (1,031,779)	\$ (1,250,567)	\$ (3,292,922)	\$ (3,707,042)
Loss from discontinued operations	\$ -	\$ (31,848)	\$ -	\$ (70,960)
Items not affecting cash and non-cash adjustments:				
Depreciation on equipment	\$ 1,159	\$ -	\$ 1,381	\$ -
Share-based compensation	\$ 187,039	\$ 112,092	\$ 364,667	\$ 197,405
Interest accrued and amortization of transaction fees on long-term debt	\$ 75,204	\$ 45,410	\$ 169,760	\$ 133,505
Interest accrued on research and development repayable funding	\$ 18,959	\$ 14,011	\$ 53,619	\$ 38,707
Net effect of foreign exchange rates on cash	\$ 799	\$ 20,669	\$ 1,408	\$ 34,878
Changes in non-cash operating working capital items:				
Trade and other accounts receivable	\$ 60,196	\$ (49,428)	\$ 65,315	\$ (66,589)
Prepaid expenses	\$ 23,582	\$ (141,547)	\$ (5,526)	\$ (158,821)
Inventories	\$ (191,233)	\$ (12,334)	\$ (367,637)	\$ (23,636)
Accounts payable and accrued liabilities	\$ (76,724)	\$ (388,256)	\$ (33,418)	\$ (39,725)
Cash Flows used in Operating Activities	(932,798)	(1,681,798)	(3,043,353)	(3,662,278)
Cash Flows used in Investing Activities				
Purchase of equipment	\$ -	\$ -	\$ (69,539)	\$ -
Cash Flows used in Investing Activities	-	-	(69,539)	-
Cash Flows from (used in) Financing Activities				
Repayment of research and development repayable funding	\$ (25,566)	\$ (994)	\$ (25,566)	\$ (994)
Proceeds from issuance of private placement units	\$ -	\$ -	\$ 4,058,500	\$ -
Share issuance cost	\$ -	\$ -	\$ (400,155)	\$ -
Proceeds from long-term debt	\$ 754,205	\$ -	\$ 754,205	\$ -
Repayment of long-term debt	\$ (19,179)	\$ (18,245)	\$ (58,094)	\$ (108,701)
Proceeds from the exercise of share purchase warrants	\$ 111,377	\$ 56,061	\$ 142,577	\$ 1,348,232
Proceeds from the exercise of stock options	\$ -	\$ 8,053	\$ -	\$ 8,118
Proceeds from warrants issued with long-term debt	\$ 45,795	\$ -	\$ 45,795	\$ -
Cash Flows from Financing Activities	866,632	44,875	4,517,262	1,246,655
Increase (decrease) in cash and cash equivalents during the period	\$ (66,166)	\$ (1,636,923)	\$ 1,404,370	\$ (2,415,623)
Net effect of exchange rate changes on cash and cash equivalents	\$ (799)	\$ (20,669)	\$ (1,408)	\$ (34,878)
Cash and cash equivalents, beginning of period	\$ 3,070,064	\$ 4,349,492	\$ 1,600,137	\$ 5,142,401
Cash and cash equivalents, end of period	3,003,099	2,691,900	3,003,099	2,691,900

For the 3-month period ended July 31, 2018, the net decrease in cash of \$66,166 is the result of \$932,798 used in operating activities, consisting mainly of \$1,031,779 in losses from continuing operations, \$1,159 in depreciation on equipment, \$187,039 in share-based compensation, and \$94,220 in accrued interest offset by \$(184,179) in changes in working capital. Cash inflows from financing activities were \$866,632, consisting of \$111,377 in cash proceeds from the exercise of warrants, \$754,205 in proceeds from the drawdown on long-term debt and \$45,795 in warrants vested with the drawdown, offset by \$19,179 in interest repaid on the Corporation's long-term credit facility and \$25,566 in repayment of the research and development repayable funding.

For the 3-month period ended July 31, 2017, the net decrease in cash of \$1,636,923 is the result of \$1,681,798 used in operating activities, consisting mainly of \$1,250,567 in losses from continuing operations and \$31,848 in losses from discontinued operations and \$(591,565) in changes in working capital offset by \$59,421 in accrued interest. Cash flows from financing activities were \$44,875, consisting of \$64,114 in cash proceeds from the exercise of warrants and stock options offset by \$19,239 in repayment of long-term debt and research and development repayable funding. There were no investing activities in the reporting period.

For the 9-month period ended July 31, 2018, the net increase in cash of \$1,404,370 is the result of \$3,043,353 used in operating activities, consisting mainly of \$3,292,922 in losses from continuing operations, and \$(341,266) in changes in working capital offset by \$223,436 in accrued interest. Investing activities consist of the purchase of new laboratory equipment for \$69,539. Cash inflows from financing activities were \$4,517,262, consisting of \$4,058,500 in cash proceeds from the issuance of private placement units, \$142,577 in cash proceeds from the exercise of warrants, and \$754,205 in proceeds from the drawdown on long-term debt and \$45,795 in warrants vested with the drawdown, offset by \$400,155 in share issue costs, \$58,094 in interest repaid on the Corporation's long-term credit facility, and \$25,566 in repayment of the research and development repayable funding.

For the 9-month period ended July 31, 2017, the net decrease in cash of \$2,415,623 is the result of \$3,662,278 used in operating activities, consisting mainly of \$3,707,042 in losses from continuing operations and \$70,960 in losses from discontinued operations, and \$288,771 in changes in working capital offset by \$172,212 in accrued interest. Cash inflows from financing activities were \$1,246,655, consisting of \$1,356,350 in cash proceeds from the exercise of warrants and stock options offset by \$109,695 in repayment of long-term debt and research and development repayable funding. There were no investing activities in the reporting period.

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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 July 31, 2018, the Corporation has issued 33,565,128 common shares and has 6,751,060 total warrants outstanding. The Corporation has also granted 2,079,054 stock options and 60,000 stock appreciation rights.

Share-based compensation for the 3-month period ended July 31, 2018 was \$187,039 compared to \$112,092 for the 3-month period ended July 31, 2017. Share-based compensation for the 9-month period ended July 31, 2018 was \$364,667 compared to \$197,405 for the 9-month period ended July 31, 2017.

Share Consolidation (Reverse Split)

On May 12, 2017, the Board of Directors approved a 10:1 share consolidation (reverse split). This MD&A and the financial statements and notes thereto have been retrospectively restated to reflect the effects of the share consolidation. IFRS requires all prior periods presented on the financial results to be presented as if the consolidation occurred at the start of the first period presented. These financial statements present these results as post-consolidated.

Due to the share consolidation, the terms of the Corporation's outstanding common share purchase warrants have been amended to the effect that ten common share purchase warrants are required in exchange for one common share of the Corporation.

Common shares outstanding	33,565,128
Subscriber and agent warrants outstanding	6,751,060
Stock options outstanding	2,079,054
Stock appreciation rights (SARs) outstanding	60,000

Shareholders' Equity

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

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

The common shares had a fair value of \$0.70 based on the previous 30 days' weighted average price as listed on the TSX.V and the current bid/ask spread and price on June 1, 2016. Based on the gross proceeds of \$3.6 million, the relative fair value of the common shares was \$2,930,233 and the investor warrants were assigned a relative fair value of \$669,767 for a total of \$3.6 million. The Corporation paid agent fees in connection with the transaction in the amount of \$225,485 and 375,809 agent warrants. These were based on a payment of 7% of the brokered proceeds. The agent warrants were assigned a fair value of \$146,566 based on a Black-Scholes calculation with the assumptions indicated below. Each agent warrant entitles the finder to purchase one common share of the Corporation for two years at \$0.60. Legal transaction fees for the private placement were \$153,832. TSX.V filing fees were \$18,000.

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

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

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interest rate of 1.48% based on Bank of Canada 3-year benchmark bond yield; and historical 3-year stock volatility of 92%.

Summary of Outstanding Shares and Dilutive Instruments

As of July 31, 2018 and September 5, 2018, the Corporation had 33,565,128 common shares outstanding. As of July 31, 2018 and September 5, 2018, the Corporation had outstanding 5,967,980 investor warrants, 283,080 agent warrants, and 500,000 long-term debt warrants for a total of 6,751,060 warrants issued.

As at July 31, 2018

Date of Issue	Subscriber Warrants	Agent Warrants	Long-term Debt Warrants	Term (Years)	Date of Expiry	Exercise Price
16-Dec-2014	1,163,738			3	1-Oct-2018 ¹	\$ 1.00
30-Oct-2015			500,000	4	13-Nov-2020	\$ 1.10
1-Jun-2016	2,774,992			2	1-Oct-2018 ²	\$ 0.90
30-Nov-2017	2,029,250			3	30-Nov-2020	\$ 1.20
30-Nov-2017		283,080		3	30-Nov-2020	\$ 1.00
	5,967,980	283,080	500,000			

Note 1: On March 12, 2018, 1,163,738 subscriber warrants with an expiry date of 30 June 2018 were approved by the TSX.V to be extended to October 1, 2018. These subscriber warrants were previously extended from an expiry date of December 16, 2017.

Note 2: On March 12, 2018, 2,774,992 subscriber warrants with an expiry date of June 1, 2018 were approved by the TSX.V to be extended to October 1, 2018.

The 500,000 long-term debt warrants are fully vested as of May 17, 2018, the date at which the credit facility associated with the warrants was fully drawn.

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 July 31, 2018, the Corporation had 2,079,054 options outstanding, of which 1,235,688 are vested and exercisable. As at September 5, 2018, the Corporation had 2,079,054 options outstanding, of which 1,283,578 are vested and exercisable.

On May 20, 2014, the Corporation issued 60,000 SARs to the Chairman of the Board of Directors with an exercise price of \$0.70. They expire on May 20, 2019. All SARs issued are fully vested and are redeemable into cash or common shares at the option of the Corporation.

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 research and development repayable funding (ACOA loan)

The initial fair value of the ACOA loan is determined by using a discounted cash flow analysis, which requires a number of assumptions. The difference between the face value and the initial fair value of the ACOA loans is recorded in the consolidated statement of comprehensive loss as a government grant. The carrying amount of the ACOA loans requires management to adjust the loans to reflect actual and revised estimated cash flows whenever revised cash flow estimates are made or new information related to market conditions is made available. 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 comprehensive loss as accreted interest after initial recognition.

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 loans are repayable based

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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 estimates of future revenues assume no significant revenue 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.

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.

Future accounting pronouncements - Standards issued but not yet effective

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

The International Accounting Standards Board issued on January 13, 2016 a new accounting standard called IFRS 16 *Leases*. IFRS 16 *Leases* replaces IAS 17 *Leases*. IFRS 16 *Leases* requires all leases to be reported on an entity's statement of financial position as assets and liabilities. IFRS 16 *Leases* is effective January 1, 2019. The Corporation has assessed and determined that there will be no impact to the financial statements when adopted on November 1, 2019. As at November 1, 2019, the Corporation will have five months remaining on its only lease contract. The Corporation will adopt the modified retrospective approach and elect the short-term lease exemption. Therefore, no asset or liability will be recognized as at November 1, 2019 unless the Corporation renews the lease before November 1, 2019.

All other new standards were early adopted or were not relevant as explained in the October 31, 2017 audited financial statements.

Events after the Reporting Period of July 31, 2018

On August 7, 2018, the Corporation entered into an agreement to wind up the China JV. Upon the completion of the wind-up, the Corporation will issue up to 500,000 common shares of the Corporation at \$0.60 per share as reimbursement to the JV partner for expenses incurred to date. The termination agreement also provides for issue of additional common shares of the Corporation with a value of \$350,000 contingent on certain conditions being met. The Corporation also entered into a consulting agreement with a former director of the China JV to provide business advice in the China market. Under the terms of the agreement, subject to TSX.V approval, the consultant will be issued common shares of the Corporation equal in value to \$50,000 per year, valued at the closing share price on the date of each anniversary of the execution of the agreement.

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