

Avivagen Inc.

Financial Statements

October 31, 2021

Management's Statement of Responsibility

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

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

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

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

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

APPROVED BY

(Signed)

Kym Anthony CEO

(Signed)

Chris Boland CFO

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Avivagen Inc.

Opinion

We have audited the financial statements of Avivagen Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2021 and 2020, and the statements of total comprehensive loss, statements of cash flows and statements of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss during the year ended October 31, 2021 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

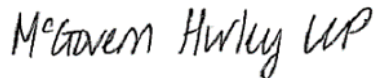
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants Licensed
Public Accountants**

Toronto, Ontario
January 18, 2022

Statements of Financial Position

As at October 31, 2021 and October 31, 2020 (Expressed in Canadian dollars)

	Note	October 31, 2021	October 31, 2020
Assets			
Current Assets			
Cash and cash equivalents	13(A)(i)	\$ 1,408,291	\$ 664,169
Trade and other receivables	13(A)(ii)	438,530	610,752
Inventories	10	1,231,775	405,765
Prepaid expenses	11	137,426	101,114
Total Current Assets		3,216,022	1,781,800
Non-current Assets			
Equipment and right-of-use assets	12	261,752	394,342
Total Non-current Assets		261,752	394,342
Total Assets		\$ 3,477,774	\$ 2,176,142
Liabilities and Shareholders' Equity (Deficiency)			
Current Liabilities			
Accounts payables and accrued liabilities	13(B)(i)	\$ 559,846	\$ 788,227
Investment loss in associate	14	63,775	25,825
Current portion of debt	13(B)(ii)	5,390,002	1,537,840
Total Current Liabilities		6,013,623	2,351,892
Non-current Liabilities			
Debt	13(B)(ii)	1,416,816	4,591,860
Total Non-current Liabilities		1,416,816	4,591,860
Total Liabilities		7,430,439	6,943,752
Shareholders' Equity (Deficiency)			
Share capital	16	31,823,290	26,555,348
Contributed surplus	9, 17	4,697,051	3,813,738
Accumulated deficit	2	(40,473,006)	(35,136,696)
Total Shareholders' Equity (Deficiency)		(3,952,665)	(4,767,610)
Total Liabilities and Shareholders' Equity (Deficiency)		\$ 3,477,774	\$ 2,176,142

Going Concern – Note 2

Commitments and Contingencies– Note 2

Statements of Total Comprehensive Loss
For the years ended October 31, 2021 and October 31, 2020
(Expressed in Canadian dollars, except share amounts)

	Note	October 31, 2021	October 31, 2020
Revenues	4	\$ 1,295,991	\$ 1,177,857
Cost of products sold	10	761,651	706,877
Gross margin		534,340	470,980
Salaries, board fees, and benefits		1,611,847	1,474,750
Professional fees and other		2,749,967	2,534,640
Share-based payments	9	326,815	318,804
Government grants	5	(171,446)	(597,714)
Depreciation of equipment and right-of-use assets	12	124,774	127,493
Investment loss in associate	14	40,000	27,277
Total operating expenses before finance cost and income taxes		4,681,957	3,885,250
Total operating loss before finance cost and income taxes		(4,147,617)	(3,414,270)
Finance cost, net	6	2,246,542	1,337,017
Total loss before income taxes		(6,394,159)	(4,751,287)
Income taxes			
Current and deferred income tax	7	-	-
Total comprehensive loss for the year		\$ (6,394,159)	\$ (4,751,287)
Loss per share, basic and diluted	8	\$ (0.12)	\$ (0.12)
Weighted average common shares issued and outstanding basic and diluted	8	52,444,157	40,307,579

Statements of Cash Flows

For the years ended October 31, 2021 and October 31, 2020
(Expressed in Canadian dollars)

	Note	October 31, 2021	October 31, 2020
Cash Flows used in Operating Activities			
Net loss		\$ (6,394,159)	\$ (4,751,287)
Items not affecting cash and non-cash adjustments:			
Depreciation of equipment and right-of-use asset	12	124,774	127,493
Share-based payments	9	326,815	318,804
Government grants	5	(22,429)	(150,251)
Finance cost, net of deposit interest	6	2,143,672	1,238,464
Maintenance fees on long-term debt settled in equity		107,560	107,560
Equity investment in associate	14	37,950	25,825
Net effect of foreign exchange rates on cash and cash equivalents	15	(4,747)	3,149
Changes in operating working capital items:			
Trade and other receivables	13(A)(ii)	172,222	(477,618)
Inventories	10	(826,010)	45,751
Prepaid expenses	11	(36,312)	(55,597)
Accounts payable and accrued liabilities	13(B)(i)	(228,381)	232,019
Net Cash Flows used in Operating Activities		(4,599,045)	(3,335,688)
Cash Flows used in Investing Activities			
Purchase of equipment	12(ii)	(8,707)	(44,295)
Net Cash Flows used in Investing Activities		(8,707)	(44,295)
Cash Flows from Financing Activities			
Proceeds from the issuance of units	16	7,500,000	3,000,000
Share issuance cost	16	(732,671)	(236,472)
Proceeds from the exercise of common share purchase warrants	17	7,400	-
Settlement of consulting fee in common shares		-	50,000
Proceeds from the issuance of debt	13(B)(ii)	350,000	500,000
Proceeds from government loans and grants	5, 13(B)(ii)	20,000	250,000
Repayment of interest on debt	13(B)(ii)	(568,573)	(537,987)
Repayment of principal on debt	13(B)(ii)	(1,076,012)	-
Payment of lease liabilities	13(B)(ii)	(153,017)	(64,185)
Net Cash Flows from Financing Activities		5,347,127	2,961,356
Increase (decrease) in cash and cash equivalents during the year		739,375	(418,627)
Net effect of foreign exchange rate changes on cash and cash equivalents	15	4,747	(3,149)
Cash and cash equivalents, beginning of year	13(A)(i)	664,169	1,085,945
Cash and cash equivalents, end of year	13(A)(i)	\$ 1,408,291	\$ 664,169

Statements of Changes in Equity
For the years ended October 31, 2021 and October 31, 2020
(Expressed in Canadian dollars, except for shares outstanding)

	Shares outstanding	Share capital	Reserve	Contributed surplus			Accumulated deficit	Total shareholders' equity (deficiency)
	16	16	16, 18	Warrants 17	Share-based payments 9	Contributed surplus 9, 16		
<i>Note Reference</i>								
Balance as at October 31, 2019	34,907,334	\$ 23,956,537	\$ 350,000	\$ 2,186,907	\$ 1,263,040	\$ 3,449,947	\$ (31,012,699)	\$ (3,256,215)
Loss for the year from operations							\$ (4,751,287)	\$ (4,751,287)
Common shares issued	858,878	\$ 507,560	\$ (350,000)					\$ 157,560
Issuance of common shares	6,000,000	\$ 3,000,000						\$ 3,000,000
Investor warrants issued		\$ (593,986)		\$ 593,986		\$ 593,986		\$ -
Agent warrants issued		\$ (125,353)		\$ 125,353		\$ 125,353		\$ -
Issuance cost of common shares		\$ (189,410)		\$ (47,062)		\$ (47,062)		\$ (236,472)
Vesting of share-based payments					\$ 318,804	\$ 318,804		\$ 318,804
Warrants and options expired in the year				\$ (518,323)	\$ (108,967)	\$ (627,290)	\$ 627,290	\$ -
Balance as at October 31, 2020	41,766,212	\$ 26,555,348	\$ -	\$ 2,340,861	\$ 1,472,877	\$ 3,813,738	\$ (35,136,696)	\$ (4,767,610)
Loss for the year from operations							\$ (6,394,159)	\$ (6,394,159)
Common shares issued in settlement of maintenance fees on long-term debt	178,483	\$ 107,560						\$ 107,560
Common shares issued	15,000,000	\$ 7,500,000						\$ 7,500,000
Investor warrants issued		\$ (1,485,420)		\$ 1,485,420		\$ 1,485,420		\$ -
Agent warrants issued		\$ (277,031)		\$ 277,031		\$ 277,031		\$ -
Issuance cost of common shares		\$ (587,561)		\$ (145,110)		\$ (145,110)		\$ (732,671)
Warrants exercised in the year	14,800	\$ 10,394		\$ (2,994)		\$ (2,994)		\$ 7,400
Warrants expired in the year				\$ (913,197)		\$ (913,197)	\$ 913,197	\$ -
Vesting of share-based payments					\$ 326,815	\$ 326,815		\$ 326,815
Options expired in the year					\$ (144,652)	\$ (144,652)	\$ 144,652	\$ -
Balance as at October 31, 2021	56,959,495	\$ 31,823,290	\$ -	\$ 3,042,011	\$ 1,655,040	\$ 4,697,051	\$ (40,473,006)	\$ (3,952,665)

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

1. Corporate information and basis of preparation

Avivagen, Inc. (the "Corporation" or "Avivagen") is domiciled in Canada and its registered office is 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6. The Corporation is a life-sciences company that is developing and commercializing products to replace antibiotics in livestock feeds to optimize the health and growth of the animals by supporting the animal's own health defences. The Corporation has also created products intended to improve or maintain quality of life in companion animals.

Basis of preparation and statement of compliance

The financial statements have been prepared on a historical cost basis and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, London and the Interpretations of the International Financial Reporting Interpretations Committee and in effect on the date when approved by the Board of Directors. The Board of Directors approved the financial statements on January 18, 2022.

COVID-19 and significant accounting judgments, estimates, and assumptions

The Corporation assessed possible impacts to its financial reporting as a result of the ongoing COVID-19 pandemic (COVID-19). The Corporation has changed the useful life of non-current assets in the reporting period. Current assets were assessed for expected credit losses and required adjustments from the carrying amounts were recorded within the reporting period. Certain prepaid expenses exist due to services being deferred as a result of COVID-19. These expenses were refunded with vouchers or future credits. 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 contingent liabilities are recognized or disclosed in the reporting period as a direct impact of COVID-19. Certain contingent liabilities unrelated to COVID-19 have been disclosed, but not recorded within the reporting period. The Corporation has applied for, qualified for, and received funding from certain government grants and government loans. Remaining funding under these grant programs, if any, will be recognized when the Corporation qualifies and there is reasonable assurance that the grant will be received.

As the COVID-19 pandemic is complex and evolving, the Corporation's plans as described above may change. At this point, the Corporation cannot reasonably estimate the duration and severity of this pandemic, or the extent to which the disruption may materially impact its financial position.

2. Going concern, liquidity risk, credit and collection risk, commitments, contingencies, and capital management objectives and policies

Going concern and liquidity risk

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

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

The Corporation has not obtained profitable operations to date. For the year ended October 31, 2021, the Corporation had a net loss from all operations of \$(6,394,159) (year ended October 31, 2020: \$(4,751,287)). Whether and when the Corporation can attain profitability and positive cash flow is very uncertain. The accumulated deficit is \$(40,473,006) as of October 31, 2021 (October 31, 2020: \$(35,136,696)). These circumstances represent material uncertainties that cast significant doubt as to the ability of the Corporation to meet its obligations as they come due, and accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern entity. Management is actively pursuing the commercialization of its products and is continuously evaluating the availability of additional debt or equity financing and/or refinancing existing debt 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 creditors, lenders and investors, obtain profitable operations, generate significant sales and/or raise additional capital. These financial statements do not reflect adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

Liquidity and contractual maturity analysis

The Corporation has incurred various liabilities, including undiscounted future interest and principal debt repayments, as follows based on the contractual maturity date:

See Note 13 (B)	Q1 Nov to Jan 2022	Q2 Feb to Apr 2022	Q3 May to Jul 2022	Q4 Aug to Oct 2022	2 to 3 years	3 to 6 years	Note 1
Accounts payable	\$ 559,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in associate	63,775	-	-	-	-	-	-
ACOA loans	-	-	129,600	-	-	-	2,881,143
Senior Secured Debentures	135,555	5,566,973	-	-	-	-	-
CEBA Loan	-	-	-	-	40,000	-	-
RRRF Loan	-	-	-	-	77,000	133,000	-
Lease liabilities	16,295	19,150	19,376	19,376	24,815	-	-
Total	\$ 775,471	\$5,586,123	\$ 148,976	\$ 19,376	\$ 141,815	\$ 133,000	\$2,881,143

Note 1: Repayment of the ACOA loan is based on 10% of prior years' revenue. It is not possible to estimate the future payments at this time

Commitments and contingencies

The Corporation has approximately \$720,000 of unrecognized contractual commitments as at October 31, 2021 (October 31, 2020: approximately \$600,000 of unrecognized contractual commitments) due within one year. The Corporation also has unrecognized contractual obligations for which future cash commitments cannot be estimated, up to 7% of certain future revenues, not including the 10% of revenues required to repay the ACOA loan.

Credit and collection risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation provides credit to its customers in the normal course of operations. The Corporation sells its products primarily to small- and mid-sized corporations with payment due on various credit terms. Certain amounts of the trade receivables are past due and impaired (see Note 13(A)(ii)). The carrying amount of cash and cash equivalents and trade and other receivables represents the maximum exposure to credit risk. At October 31, 2021 this amounted to \$1,846,821 (October 31, 2020 - \$1,274,921).

The trade and other receivables include HST input tax credits and refundable Scientific Research and Experimental Development ("SRED") tax credits. The HST and SRED credits are subject to review by the Canada Revenue Agency. The collection risk is considered low.

Concentration risk

As per the requirements of IFRS 8 Operating Segments with respect to entity-wide disclosures, the concentration and risk of assets by region is disclosed as follows:

	Mexico	Asia	New Zealand	United States	Canada	Total
Trade and other receivables	\$ -	\$ 343,037	\$ -	\$ -	\$ 95,493	\$ 438,530
Inventories	789,369	397,636	17,232	27,538	-	1,231,775
Prepaid expenses	-	3,101	-	19,071	115,254	137,426
Balance as at October 31, 2021	\$ 789,369	\$ 743,774	\$ 17,232	\$ 46,609	\$ 210,747	\$1,807,731

All cash, equipment, and right-of-use assets are held in Canada.

Capital management

The Corporation manages its capital, which consists of cash provided from equity financing, debt, ACOA loans, and government loans, with the primary objective being safeguarding sufficient working capital to sustain operations. The Corporation is exposed to market risk, interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees upon policies for managing each of these risks. The Board of Directors has not established capital benchmarks or other targets. The Corporation continually assesses the adequacy of its capital structure and capacity and makes adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

3. Standards issued but not yet effective and standards adopted

As at the date the Corporation's Board of Directors approved the financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted by the Corporation and in all other cases have been early-adopted when allowed. The Corporation applied IFRS 16 Leases with a date of initial application of November 1, 2019. All other new standards were early adopted where possible and had no impact or no significant impact on the financial statements.

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

4. Revenues

Revenues are recognized when control of the products has transferred to the customer, being when the products are delivered to the customer, the customer takes control of the goods, the customer has full discretion over the use of the products, sales are final and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location requested by the customer for which the customer has control, the customer takes control of the goods at a designated warehouse or location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Corporation has objective evidence that all criteria for acceptance have been satisfied.

The Corporation maintains certain inventory on consignment with distributors in certain locations as well as with agents in trust for sale to customers (see Note 10). When the Corporation delivers a product to a distributor or agent for sale to end-customers, the Corporation evaluates whether that distributor or agent has obtained control of the product at that point in time; such as if the distributor or agent has a right of return. A product that has been delivered to a distributor or an agent may be held in a consignment arrangement or in trust if the distributor or agent has not obtained control of the product. Accordingly, the Corporation does not recognize revenue upon delivery of the product to the distributor or agent if the delivered product is held on consignment or in trust.

The Corporation's sales and performance obligations occur as at a point in time. The Corporation's products are generally sold without any subsequent pricing adjustments and accordingly there has been no variable consideration assessment. Sales may require partial advance payment or payment on general credit terms. No credit limits are currently in place given the limited number of clients. No element of financing is present as all sales terms are within one year. The Corporation's only obligation is to provide an exchange for products under the standard assurance warranty terms and conditions. The warranty requirements, if any, are recognized as a provision under IFRS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. A receivable is recognized when the goods are controlled by the customer. This is the point in time that the consideration is unconditional as only the passage of time is required before payment is due. All advance payments, if any, are recorded as a liability called deferred revenue.

Sales contracts and credit arrangements are negotiated via written contract, e-mail exchange, or verbal arrangement. Current credit terms as at October 31, 2021 are primarily net 60 days. Certain other purchase arrangements require a 20% deposit against the value of the purchase order on shipment of the goods, with the remaining 80% balance due net 45 days from the date of delivery. Certain sales have occurred for which no deposit was collected on shipment of product. Management has assessed the deposit portion of these sales as past due. Higher expected credit losses are provided when accounts are significantly past due.

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

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

	Year ended	
	October 31, 2021	October 31, 2020
Revenues		
Mexico	\$ 119,712	\$ 267,336
Philippines	1,007,596	811,801
Taiwan	91,256	9,449
Thailand	77,427	39,931
United States	-	28,890
Malaysia	-	10,579
Brazil	-	9,871
Total revenues	\$ 1,295,991	\$ 1,177,857

The Corporation had significant sales to one customer in the year ended October 31, 2021 of \$1,007,596 or 78% of all revenue (year ended October 31, 2020: significant sales to two customers of \$811,801 or 69% of all revenue to a customer in the Philippines and \$267,336 or 23% of all revenues to a customer in Mexico).

As at October 31, 2021, the Corporation has one unperformed performance obligation and an outstanding purchase order for a customer in the Philippines in the amount of USD\$259,500, as certain volumes of product have departed the Corporation's warehouse and are in transit to, but not controlled by, the customer (see Note 19).

Management significant judgment

In the year ended October 31, 2021, the Corporation incurred \$212,410 in fees payable to an agent in Mexico and \$95,354 in fees payable to an agent in Thailand (year ended October 31, 2020: \$119,469 in Mexico and \$102,923 in Thailand). As these fees are partly unrelated to the sale of product into Mexico and Thailand, they have not been offset against revenue and are recorded in professional fees and other on the statement of total comprehensive loss. This represents management's significant judgment under IFRS 15 *Revenue from Contracts with Customers*.

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

5. Government grants

Government grants are recognized when the Corporation qualifies for such grants and where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

Grants received in the reporting periods include the Canada Emergency Business Account Loan (CEBA Loan), refundable Scientific Research and Experimental Development (SRED) refundable tax credits, the Canada Emergency Wage Subsidy (CEWS), the Regional Relief and Recovery Fund Loan (RRRF Loan), the CanExport SME program, a BioTalent Co-op wage subsidy, Industrial Research Assistance Program (IRAP) funding, and the COVID-related rent abatement provided by the Corporation's landlord (see Note 12(i)).

Details of the grants are as follows:

	Year ended	
	October 31, 2021	October 31, 2020
Government grants		
CEBA loan (Note 13(B)(ii)(d))	\$ 13,275	\$ 22,323
SRED refundable tax credits (Note 7)	51,354	40,154
Canada Emergency Wage Subsidy	97,662	349,574
RRRF Loan (Note 13(B)(ii)(e))	-	127,929
CanExport SME Program	-	45,150
BioTalent Co-op wage subsidy	-	7,364
IRAP funding	-	5,220
Rent abatement (Note 12 (i))	9,155	-
Total government grants	\$ 171,446	\$ 597,714

6. Finance cost, net

Finance cost consists of the following amounts:

	Year ended	
	October 31, 2021	October 31, 2020
Finance cost, net		
Interest accretion on ACOA loans	\$ 345,917	\$ 138,122
Adjustment to present value of ACOA loans (Note 13 (B)(ii)(a))	665,203	130,784
Interest on debentures	1,176,202	1,048,261
Interest on lease liabilities	11,422	19,594
Interest accretion on government loans	24,511	6,468
Interest on promissory note	27,978	2,795
Deposit interest on short-term investments and demand accounts	(4,691)	(9,007)
Total finance cost, net	\$ 2,246,542	\$ 1,337,017

The ACOA loans (see Note 13 (B)(ii)(a)) are repayable each year on June 30 based on 10% of the gross revenues reported in the prior fiscal year.

The ACOA loans were initially recognized at their IFRS 13 fair value (Level 3) 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 discounted cash flows include estimating the amount and timing of future revenue for the Corporation and thus the amount and timing of the cash outflows issued in repayment of the ACOA loans. The determination of the amount and timing of future revenue significantly impacted the initial fair value of the loans, as well as the carrying value of the loans at each reporting date.

The discount rate used under the amortized cost method to assess the present value of the future cash outflows is the initial 35%.

Management judgment

For the year ended October 31, 2021, the Corporation has recorded an adjustment to the present value of the ACOA loans of \$534,553 on Project 1 and \$130,650 on Project 2, for a total adjustment recorded in finance cost of \$665,203. This adjustment represents the updated expected discounted cash outflows related to the repayment of the ACOA loans based on the Corporation's revised forecast of the expected future increase of revenues, which represents a significant management judgment.

7. Income taxes

Current income tax assets and liabilities for the respective and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount

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In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

are those that are enacted by the reporting date in the countries where the Corporation operates and generates taxable income.

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

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

2026	\$	544,416
2027		911,198
2028		437,970
2029		1,369,413
2030		1,955,638
2031		2,857,669
2032		2,079,046
2033		1,056,010
2034		1,862,826
2035		2,453,329
2036		2,410,118
2037		4,762,281
2038		3,561,659
2039		4,276,719
2040		3,742,722
2041		4,473,930
Indefinite ¹		2,590,062
	\$	41,345,006

Note 1: The Corporation has \$2,590,062 of unclaimed Canadian federal and provincial Scientific Research and Experimental Development (SRED) expenditures which will not expire in future periods.

The Corporation has unrecognized deferred income tax assets and liabilities as indicated below, however they were not recorded on the statements of financial position as it was not probable that they would be utilized. This represents a significant accounting judgment.

Deferred tax assets not realized

Non-capital loss carry-forwards
Cumulative capital cost and PP&E
SRED tax credits and investment tax credits
Share issue costs
Total deferred income tax assets not recognized
Deferred income tax assets on the statement of financial position

	October 31, 2021	October 31, 2020
\$	9,595,904	\$ 8,019,183
	459,260	448,442
	827,819	700,262
	292,164	154,964
\$	11,175,147	9,322,851
\$	Nil	\$ Nil

Deferred tax assets and liabilities realized

ACOA loans temporary differences
Senior Secured Debentures temporary difference
Government loans temporary difference
Non-capital losses
Deferred income tax liabilities on the statement of financial position, net

	October 31, 2021	October 31, 2020
\$	(429,748)	\$ (697,695)
	(67,830)	(208,503)
	(35,125)	(38,103)
\$	532,703	944,301
\$	Nil	\$ Nil

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Reconciliation of taxable losses for the year ended

	October 31, 2021	October 31, 2020
Loss before income taxes	\$ (6,394,159)	\$ (4,751,287)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	(1,694,452)	(1,259,091)
Non-deductible share-based payments	86,606	84,483
SRED claimed expenditures	135,732	115,613
Depreciation on equipment	33,065	1,906
Interest accretion on debt and government loans	414,375	179,693
Government grants recognized on the statement of comprehensive loss	(45,433)	(39,816)
Interest on lease liabilities and depreciation on right-of-use asset	(41,802)	23,063
Loss from investment in associate	10,600	7,228
Share issue costs	(91,918)	(75,554)
Common shares reserved for issuance	-	(13,250)
Income tax recovery not probable to be utilized	1,193,227	975,725
Income tax recovery recognized on the statement of total comprehensive loss	\$ -	\$ -

8. Loss per share

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

The outstanding number and type of securities that could potentially dilute basic earnings per share in the future are as noted below:

	Number Outstanding October 31, 2021	October 31, 2020
Options – Share-based payments	3,469,412	2,653,162
Subscriber Warrants	12,529,250	7,804,242
Agent Warrants	1,424,440	905,557
Underlying Warrants	194,620	194,620
Total	17,617,722	11,557,581

	Year ended October 31, 2021	October 31, 2020
Loss attributable to equity holders for basic		
loss from continuing operations	\$ (6,394,159)	\$ (4,751,287)
Weighted average number of common shares		
for basic loss per share	52,444,157	40,307,579
Loss per share (basic and diluted)	\$ (0.12)	\$ (0.12)

9. Share-based payments

The Corporation accounts for share-based payments using the fair value method. Under this fair value method, compensation expense for share-based payments granted is measured at the fair value at the grant date, using the Black-Scholes-Merton option valuation model for stock options. This model requires significant management estimates and assumptions, such as the life of the instrument, rate of forfeiture, and volatility. The Corporation recognizes estimated compensation expense related to share-based payments over the vesting period of the options granted on a graded basis, with the related credit being charged to contributed surplus. Consideration paid on the exercise of share-based payments is recorded as share capital and the related share-based payment is transferred from contributed surplus to share capital.

Share options are granted to employees as part of their remuneration in addition to a cash salary and other employment benefits. It is not possible to measure directly the services received for particular components of the employee's remuneration package. It is also not possible to measure the fair value of the total remuneration package independently, without measuring directly the fair value of the equity instruments granted. Because of the difficulty of measuring directly the fair value of the services received, the Corporation measures the fair value of the employee services received by reference to the fair value of the equity instruments granted.

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

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goods or services received, the entity shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

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

The Corporation adopted a stock option plan (the "Plan") on August 4, 2005 which is administered by the Board of Directors. The Board of Directors establishes 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 one year or five years from the date of grant. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 5,600,000. The following table represents options granted and expired.

	Total	Weighted average exercise price
Balance Outstanding as at October 31, 2019	2,291,062	\$ 0.81
Granted on March 6, 2020	555,000	0.71
Expired on May 19, 2020	(60,000)	0.90
Expired on August 20, 2020	(132,900)	0.65
Balance Outstanding as at October 31, 2020	2,653,162	\$ 0.80
Granted on March 8, 2021	577,500	0.56
Granted on March 27, 2021	300,000	0.60
Granted on June 4, 2021	200,000	0.50
Expired on March 31, 2021	(4,687)	0.69
Expired on April 30, 2021	(25,313)	0.67
Expired on June 22, 2021	(231,250)	0.80
Balance Outstanding as at October 31, 2021	3,469,412	\$ 0.72

Options exercisable as at:	Total	Weighted average exercise price
October 31, 2021	2,724,412	\$ 0.76
October 31, 2020	2,032,537	\$ 0.83

Exercise price	Options Outstanding	Options Exercisable	Weighted average remaining contractual life in months
\$1.00	60,000	60,000	3.9
\$0.60	300,000	300,000	4.9
\$1.10	364,372	364,372	7.0
\$0.90	60,000	60,000	13.7
\$0.90	622,540	622,540	17.3
\$0.57	200,000	200,000	22.4
\$0.61	537,500	537,500	31.2
\$0.71	547,500	410,625	40.2
\$0.56	577,500	144,375	52.3
\$0.50	200,000	25,000	55.1
	3,469,412	2,724,412	

The Corporation has issued stock options to employees, consultants, service providers, and members of the Board of Directors. The fair value of the options issued was determined using the inputs listed below.

Date of Issue	June 4, 2021	March 27, 2021	March 8, 2021	March 6, 2020
Quantity issued	200,000	300,000	577,500	555,000
Vesting period	8 quarters	Day 1	8 quarters	8 quarters
Issue price	\$0.43	\$0.60	\$0.56	\$0.71
Exercise price	\$0.50	\$0.60	\$0.56	\$0.71
Expected life	5 years	1 year	5 years	5 years
Interest rate	0.86%	0.15%	0.90%	0.66%
Volatility over expected life	81.45%	70.71%	87.90%	96.07%
Fair value	\$0.266	\$0.166	\$0.382	\$0.513
Restrictions	None	4-month hold period	None	None

Volatility was determined by using the historical volatility of the stock over the expected life of the option. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-

Notes to the Financial Statements

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free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

For the year ended October 31, 2021, the Corporation recorded \$326,815 (year ended October 31, 2020: \$318,804) as contributed surplus and compensation expense for the vesting of share-based payments, which is measured at fair value at the date of grant and is graded and expensed over the option's vesting period.

10. Inventories and cost of products sold

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

The International Financial Reporting Standards Interpretations Committee has issued an agenda decision on what costs to include when determining net realizable value of inventories, in particular what costs are necessary to sell inventories under IAS 2 *Inventories*. The Corporation has assessed and adopted the decision, which had no impacts to the financial position or performance in the periods.

As at October 31, 2021 and October 31, 2020, the Corporation valued its inventory at cost as follows:

	October 31, 2021	October 31, 2020
Raw materials	\$ 8,774	\$ 15,993
Finished goods	1,223,001	389,772
Total inventories	\$ 1,231,775	\$ 405,765

Inventory risk exists as all product is held by third parties. As at October 31, 2021 and October 31, 2020, inventory reported above was held on consignment or in trust by third parties within the following geographic regions:

	October 31, 2021	October 31, 2020
Taiwan – In Trust	\$ 343,496	\$ 336,548
Mexico – In Trust	789,369	-
Thailand – Consignment	54,140	20,705
United States – In Trust	27,538	31,280
New Zealand – In Trust	17,232	17,232
Total inventories	\$ 1,231,775	\$ 405,765

The amount of the inventories recognized as an expense in the year ended October 31, 2021 is \$790,446 (year ended October 31, 2020: \$805,327). Inventory expensed in the year ended October 31, 2021 consisted of \$761,651 in cost of products sold, \$2,930 expensed for marketing and trials, and \$25,865 impaired. Inventory expense in the year ended October 31, 2020 consisted of \$706,877 in cost of products sold, \$7,942 expensed for marketing and trials, and \$90,508 impaired.

Cost of product sold consists of the cost of inventories only. Duties, taxes, customs and import fees, shipping costs, and other related fees are recorded within professional fees and other on the statement of total comprehensive loss.

Management judgments and estimates

A purchase agreement provides for reduced fees if the Corporation achieves a certain volume of purchases. As of October 31, 2021, if the volumes are not achieved, the Corporation could have an obligation for \$69,943. Management has assessed and determined that it is unlikely that the Corporation will be able to meet this volume purchase obligation and the estimated liability has been recorded within trade and other payables.

11. Prepaid expenses

As at October 31, 2021 and October 31, 2020, the Corporation held the following prepaid expenses:

	October 31, 2021	October 31, 2020
Studies and trials	\$ 9,846	\$ 28,819
Conferences and travel	-	68,179
Insurance	78,509	-
Related party compensation (Note 18)	30,000	-
Marketing & investor relations	13,622	368
Regulatory and securities	5,449	3,748
Total prepaid expenses	\$ 137,426	\$ 101,114

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12. Non-current assets

Non-current assets consist of right-of-use assets, equipment, and intangible assets.

	Right-of-use assets (i)	Equipment (ii)	Total
Cost:			
At October 31, 2019	\$ -	\$ 178,743	\$ 178,743
Acquisition of equipment	-	44,295	44,295
Right-of-use assets as at November 1, 2019	54,912	-	54,912
Present value of modification of leases during the year	251,061	-	251,061
At October 31, 2020	\$ 305,973	\$ 223,038	\$ 529,011
Derecognition of lease expired during the year	(74,411)	-	(74,411)
Modification of lease during the year	(16,523)	-	(16,523)
Acquisition of equipment	-	8,707	8,707
At October 31, 2021	\$ 215,039	\$ 231,745	\$ 446,784

Depreciation:

At October 31, 2019	\$ -	\$ 7,176	\$ 7,176
Depreciation charge for the year	120,299	7,194	127,493
At October 31, 2020	\$ 120,299	\$ 14,370	\$ 134,669
Depreciation charge for the year	83,940	40,834	124,774
Derecognition of lease expired during the year	(74,411)	-	(74,411)
At October 31, 2021	\$ 129,828	\$ 55,204	\$ 185,032

Carrying amount:

At October 31, 2021	\$ 85,211	\$ 176,541	\$ 261,752
At October 31, 2020	\$ 185,674	\$ 208,668	\$ 394,342
At October 31, 2019	\$ -	\$ 171,567	\$ 171,567

Impairment of non-financial assets

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

i) Right-of-use assets

The Corporation has adopted IFRS 16 *Leases* retrospectively from November 1, 2019. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on November 1, 2019. Under IFRS 16 *Leases*, the Corporation recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are recognized on the statement of financial position. The Corporation elected 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. 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%, which represents a significant accounting judgment.

Impacts on financial statements

At inception of a contract, the Corporation assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether: the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified. The Corporation must have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and the Corporation must have the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either: the Corporation has the right to operate the asset; or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any

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lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received, if any.

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

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.

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 during the year		251,061
Add: interest accretion during the year		19,594
Subtract: lease payments during the year		(52,864)
Lease liability as at October 31, 2020	\$	261,382
Add: interest accretion during the year		11,422
Subtract: present value of modification of leases during the year		(16,523)
Subtract: lease payments during the year		(153,017)
Subtract: abatements recognized as a government grant during the year		(9,155)
Lease liability as at October 31, 2021	\$	94,109
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 during the year		251,061
Subtract: depreciation charge during the year		(120,299)
Right-of-use assets as at October 31, 2020	\$	185,674
Subtract: depreciation charge during the year		(83,940)
Subtract: present value of modification of leases during the year		(16,523)
Right-of-use assets as at October 31, 2021	\$	85,211

The Corporation holds a lease for office and laboratory space with a term expiring in March 2023. The Corporation previously also held a lease for laboratory space which expired in March 2021.

In February 2021, the Corporation entered into COVID-19 related rent abatements and deferral agreements with its landlord, the National Research Council of Canada (NRC), for its two lease properties in Ottawa, Ontario and Charlottetown, Prince Edward Island. The Corporation's landlord deferred and waived certain lease payments related to 2020.

The lease in Charlottetown, PEI, which expired in March 2021, was allowed to terminate without renewal. As a result, the Corporation fully depreciated the remaining \$8,754 net value of lease and derecognized the corresponding right-of-use asset. The Corporation recorded \$88 in interest expense and a cash payment of \$39,554 to extinguish the liability, with a resulting \$9,155 government grant in the form of rent abatements as discussed above.

A lease modification on the remaining lease was recorded to account for the rent abatements and deferrals referenced above. This modification was measured at a discount rate of 7%, resulting in a reduction of the existing right-of-use asset and corresponding lease liability by \$16,523.

Short-term leases and leases of low value assets

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

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

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ii) Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of equipment, directly attributable cost to bring equipment into use, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Corporation depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of total comprehensive loss as incurred. When the asset is available for use, depreciation is calculated on a straight-line basis over the estimated useful lives of the equipment of 5 years.

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

Management judgments and estimates

On February 1, 2021, the Corporation re-assessed the useful lives of its items of equipment as a result of consultation with the manufacturer of the equipment. The remaining useful life of each item of equipment as at February 1, 2021 was assessed as 5 years. This represents a management judgment.

On May 1, 2021, the Corporation re-assessed the useful life of certain items of equipment (leasehold improvement) related to the Corporation's leases. The remaining useful life of the equipment (leasehold improvement) was assessed as 23 months as at May 1, 2021, which is equal to the remaining term on the current lease for laboratory space. Depreciation was adjusted prospectively for both re-assessments.

iii) Intangible assets

Internally generated patent, research, and development assets are not capitalized, as they did not meet the criterion under IAS 38 *Intangible Assets* and accordingly the expenditure is reflected in the statement of total comprehensive loss in the period in which the expenditure is incurred. This represents a significant accounting judgment.

13. Financial instruments

Financial instruments – initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized cost or fair value through other comprehensive income (FVTOCI) are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the statements of total comprehensive loss.

Financial Assets

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

Financial Assets at Amortized Cost

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

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

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

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

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Financial Liabilities

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

Offsetting of financial instruments

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

Fair values

All financial assets and financial liabilities are carried at amortized cost under the business model as required under IFRS 9 *Financial Instruments*. Due to the short-term nature of the current financial assets and liabilities, the carrying value is approximately equal to the fair value and are assessed as a Level 3. Significant accounting judgments include the ACOA loans measured at 35%, the CEBA loan, the RRRF loan, and the Senior Secured Debentures measured at 20%, and the lease liability measured at 7% (all are assessed as Level 3).

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

Compound instruments

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

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

Interest rate risk

The Corporation's exposure to interest rate risk is nominal considering the ACOA loans, CEBA loan, and RRRF loan are subject to 0% interest. The Senior Secured Debentures are subject to a 10% fixed interest rate and accordingly are not subject to exposure to interest rate changes. The Corporation invests surplus cash in bank demand deposits and short-term investments at its financial institutions at current rates of up to 0.2% which, due to their short-term nature, do not expose the Corporation to any significant interest rate risks.

(A) Financial assets

i) Cash and cash equivalents

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

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

Cash and cash equivalents are held in interest and non-interest-bearing operating accounts at the Corporation's financial institutions and payable on demand. \$35,000 in cash equivalents is held as collateral against the Corporation's credit card accounts and is redeemable on demand if the Corporation closes its credit card accounts.

The cash and cash equivalents are held by two high credit quality financial institutions on behalf of the Corporation, therefore the Corporation considers the risk of non-performance to be remote.

ii) Trade and other receivables

	October 31, 2021	October 31, 2020
Trade receivables, gross	\$ 432,951	\$ 502,295
Expected credit loss allowance	(89,914)	-
Trade receivables, net of allowances	\$ 343,037	\$ 502,295
Receivable from tax authorities for HST input credits	44,139	43,927
Receivable from tax authorities for SRED tax credits	51,354	40,153
Government grants receivable	-	24,377
Accounts receivable, net of allowances	\$ 438,530	\$ 610,752

Expected credit loss allowance

The Corporation assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its assets carried at amortized cost and fair value through other comprehensive income (FVTOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Expected credit loss is recorded on the statement of comprehensive loss within professional fees and other. The following table presents a summary of the changes in the expected credit loss allowance:

Expected credit loss allowance

Balance as at October 31, 2020

\$ -

Allowance for expected credit losses in the year

89,914

Balance as at October 31, 2021

\$ 89,914

Trade receivables are non-interest bearing and are on various credit terms extending up to 60 days (see revenue policy Note 4). The ageing analysis of trade receivables by geographic source of revenues is as follows:

	Total	Neither past due nor impaired	Past due and ECL allowance (days)		
			< 30	31-120	121-350
October 31, 2021					
Philippines	\$321,365	\$321,365	-	-	-
Mexico	\$89,914	-	-	-	\$89,914
Thailand	\$10,526	\$10,526	-	-	-
Taiwan	\$11,146	\$11,146	-	-	-
Total, October 31, 2021	\$432,951	\$343,037	-	-	\$89,914
Expected credit losses	\$(89,914)	-	-	-	\$(89,914)
Total, net of ECL	\$343,037	\$343,037	-	-	\$-
October 31, 2020					
Mexico	\$258,909	\$19,185	\$-	\$239,724	\$-
Philippines	230,401	\$230,401	-	-	-
Taiwan	12,985	-	-	12,985	-
Total, October 31, 2020	\$502,295	\$249,586	\$-	\$252,709	\$-

(B) Financial liabilities

i) Accounts payables and accrued liabilities

	October 31, 2021	October 31, 2020
Accounts payables and accrued liabilities	\$ 463,239	\$ 710,054
Staff and board compensation and vacation payable	96,607	78,173
Total	\$ 559,846	\$ 788,227

Accounts payables are normally settled on 30-day terms.

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

ii) Debt

The Corporation has long-term debt in the form of (a) a government loan from the Atlantic Canada Opportunities Agency (ACOA), (b) Senior Secured Debentures ("Debentures"), (c) a Promissory Note, (d) government Canadian Emergency Business Account (CEBA) Loans, (e) government Regional Relief and Recovery Fund (RRRF) Loans, and (f) lease liabilities as follows:

	ACOA loans (a)	Senior Secured Debentures (b)	Promissory Note (c)	CEBA loan (d)	RRRF loan (e)	Lease liabilities (f)	Total
Balance as at October 31, 2019	\$ 335,037	\$ 4,252,649	\$ -	\$ -	\$ -	\$ -	\$ 4,587,686
Lease liability as at November 1, 2019	-	-	-	-	-	54,912	54,912
Add: present value of modification of leases during the year	-	-	-	-	-	251,061	251,061
Deposits and rent prepayments	-	-	-	-	-	(11,321)	(11,321)
Drawdown of principal from debt instruments	-	-	500,000	40,000	210,000	-	750,000
Amounts recognized in total comprehensive loss as a government grant	-	-	-	(22,323)	(127,929)	-	(150,252)
Adjustment during the year	130,785	-	-	-	-	-	130,785
Interest accretion during the year	138,122	1,048,261	2,795	1,843	4,625	19,594	1,215,240
Principal repaid during the year	-	-	-	-	-	(52,864)	(52,864)
Interest paid during the year	-	(537,987)	-	-	-	-	(537,987)
Maintenance fees settled in equity during the year	-	(107,560)	-	-	-	-	(107,560)
Balance as at October 31, 2020	\$ 603,944	\$ 4,655,363	\$ 502,795	\$ 19,520	\$ 86,696	\$ 261,382	\$ 6,129,700
Drawdown of principal from debt instruments	-	-	350,000	20,000	-	-	370,000
Present value of lease modification during the year	-	-	-	-	-	(16,523)	(16,523)
Amounts recognized in total comprehensive loss as a government grant	-	-	-	(13,275)	-	(9,155)	(22,430)
Interest accretion during the year	345,917	1,176,202	27,978	5,491	19,020	11,422	1,586,030
Adjustment during the year	665,203	-	-	-	-	-	665,203
Interest paid during the year	-	(537,800)	(30,773)	-	-	-	(568,573)
Maintenance fees settled in equity during the year	-	(107,560)	-	-	-	-	(107,560)
Principal repaid during the year	(226,012)	-	(850,000)	-	-	(153,017)	(1,229,029)
Balance as at October 31, 2021	\$ 1,389,052	\$ 5,186,205	\$ -	\$ 31,736	\$ 105,716	\$ 94,109	\$ 6,806,818
Current portion of debt	129,600	5,186,205	-	-	-	74,197	5,390,002
Non-current portion of debt	1,259,452	-	-	31,736	105,716	19,912	1,416,816
Balance as at October 31, 2021	\$ 1,389,052	\$ 5,186,205	\$ -	\$ 31,736	\$ 105,716	\$ 94,109	\$ 6,806,818

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

The undiscounted future principal and future accrued interest repayments on each item of debt are as follows, indicated by fiscal year:

Due within the fiscal year ending:	ACOA loans (a)	Senior Secured Debentures (b)	Promissory note (c)	CEBA loan (d)	RRRF loan (e)	Lease liabilities (f)	Total
October 31, 2022	129,600 ¹	5,702,528	-	-	-	74,197	5,906,325
October 31, 2023	-	-	-	40,000	35,000	24,815	99,815
October 31, 2024	-	-	-	-	42,000	-	42,000
October 31, 2025	-	-	-	-	42,000	-	42,000
October 31, 2026	-	-	-	-	42,000	-	42,000
October 31, 2027	-	-	-	-	42,000	-	42,000
October 31, 2028	-	-	-	-	7,000	-	7,000
Indeterminate (Note 1)	2,881,143	-	-	-	-	-	2,881,143
Total	\$ 3,010,743	\$ 5,702,528	\$ -	\$ 40,000	\$ 210,000	\$ 99,012	\$ 9,062,283

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

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

a) ACOA loans, management judgment, significant estimates, and sensitivity

The Corporation entered into two agreements to obtain interest-free loans from ACOA. The liability related to each individual drawdown of each facility was recorded at its fair value as of each respective drawdown date. 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 discounted cash flows include estimating the amount and timing of future revenue for the Corporation and the discount rate. As the ACOA loans are repayable based on a percentage of gross revenue, the determination of the amount and timing of future revenue significantly impacted the initial fair value of the loans, as well as the carrying value of the loans at each reporting date. The Corporation is in the commercialization and early-revenue stages for its products; accordingly, determination of the amount and timing of revenue requires significant judgment by management. Management's estimate of future revenues assumes some revenue growth in the near future, even though the Corporation currently has only one unperformed performance obligation for USD\$259,500 as at October 31, 2021. 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.

The difference between the amount received in cash on each drawdown date and the related fair value was considered a government grant and was recognized as an item of income in the respective statements of total comprehensive loss. Subsequent to initial recognition, the liability is carried at amortized cost with interest expense recognized to accrete the liability up to its face value over the estimated term of repayment.

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, 2021 would have been an estimated \$243,071 lower or \$315,580 higher, respectively. A 10% increase or decrease in the total forecasted revenue would result in the carrying value at October 31, 2021 being an estimated \$94,322 higher or \$52,610 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, 2021 would be \$129,600, which would be a reduction in the ACOA loan by \$1,259,452.

For the year ended October 31, 2021, the Corporation has recorded an adjustment to the present value of the ACOA loans of \$534,553 on Project 1 and \$130,650 on Project 2, for a total adjustment recorded in finance cost of \$665,203. This adjustment represents the updated expected cash outflows related to the repayment of the ACOA loans based on the Corporation's revised forecast of expected future revenues, which represents a significant management judgment.

Under the first agreement, the Corporation drew \$2,052,131 of which \$48,693 was repaid for a remaining obligation of \$2,003,438. Under the second agreement, the Corporation drew \$1,334,400 of which \$327,095 was repaid for a remaining obligation of \$1,007,305. The total obligation as at October 31, 2021 is \$3,010,743.

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 recorded as \$129,600 based on OxC-beta product sales of \$1,295,991 in the year ended October 31, 2021 and is due on June 30, 2022.

	Project 1	Project 2	Total
Balance as at October 31, 2019	\$ 23,483	\$ 311,554	\$ 335,037
Interest accretion during the year	10,866	127,256	138,122
Adjustment during the year	39,099	91,686	130,785
Balance as at October 31, 2020	\$ 73,448	\$ 530,496	\$ 603,944
Interest accretion during the year	128,579	217,338	345,917
Adjustment during the year	534,553	130,650	665,203
Principal repaid during the year	(16,195)	(209,817)	(226,012)
Balance as at October 31, 2021	\$ 720,385	\$ 668,667	\$ 1,389,052
	October 31, 2021	October 31, 2020	
Current portion of ACOA loans	\$ 129,600	\$ 215,531	
Non-current portion of ACOA loans	1,259,452	388,413	
Total ACOA loans	\$ 1,389,052	\$ 603,944	

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

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

For the year ended October 31, 2021

	Project 1	Project 2	Total
Revenues from Project 1	\$ 16,295	\$ -	\$ 16,295
Revenues from Project 2	-	1,279,696	1,279,696
Total revenues allocated to each ACOA Project	\$ 16,295	\$ 1,279,696	\$ 1,295,991
Current portion of ACOA loans (at 10%)	\$ 1,630	\$ 127,970	\$ 129,600

Under the agreements, the Corporation must maintain a minimum shareholders' equity and other conditions. The Corporation was in compliance with the covenant agreements as at October 31, 2021 and October 31, 2020. Under the terms of the ACOA repayable funding agreements, no dividends may be paid until the ACOA obligations are fully repaid.

b) 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 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 advance of the maturity date. Any early repayments issued prior to March 27, 2022 are 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 in advance of the maturity date 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.

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In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

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.

The debenture covenants restrict the Corporation's ability to hold inventories outside of the provinces of Ontario and Prince Edward Island to a maximum value of \$1,500,000.

c) Promissory Note

The Corporation received a total of \$850,000 in debt funding via an unsecured promissory note issued by the Bloom Burton Healthcare Lending Trust. The promissory note bore interest at a rate of 12% per annum and was payable on demand. The principal amount of the promissory note was drawn down in two instalments: \$500,000 on October 14, 2020 and \$350,000 on November 24, 2020. On February 18, 2021, the Corporation repaid the \$850,000 principal owing on the promissory note as well as \$30,773 in accrued interest.

d) 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 funding was initially granted in the form of an interest-free revolving credit line of which up to \$40,000 may be drawn. On January 6, 2021, an additional \$20,000 in funding was made available and drawn from the credit line.

On January 21, 2022, 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 66 ²/₃% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 33 ¹/₃% of the balance shall be forgiven. The Corporation intends to repay 66 ²/₃% or \$40,000 of the outstanding balance on or before December 31, 2022.

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 initially available to it under the CEBA program on May 11, 2020. Initial recognition of the \$40,000 was at its fair value at a discount rate of 20%, representing the Corporation's estimated 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. On January 6, 2021, an additional \$20,000 in funding was made available and drawn from the credit line. \$6,725 was recognized as debt and \$13,275 was recognized as a government grant in the statement of total comprehensive loss.

e) 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 estimated 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.

f) Lease liability

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

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

- fixed payments, including in-substance fixed payments (if any);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (if any);

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- amounts expected to be payable under a residual value guarantee (if any); and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early (if any).

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

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

Initial measurement of the discounted lease payments used the Corporation's incremental borrowing rate as at November 1, 2019 of 8%. The incremental borrowing rate represents management's estimate of the rate of interest that the Corporation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the corresponding right-of-use asset in a similar economic environment. Subsequent to a lease modification, the Corporation assessed its incremental borrowing rate to be 7%.

See Note 12(i) for details on a lease expiry and a lease modification recognized within the reporting period.

Expenses related to short-term leases for year ended October 31, 2021 were \$nil (year ended October 31, 2020: \$26,331).

14. Investment in associate

On June 13, 2019, the Corporation signed a Shareholder's Agreement with Mimi's Rock, Corp. ("MRC") to create a joint venture, Centre Beach, Inc. ("Centre Beach") for the purposes of marketing and selling Vivamune™ Health Chews or Dr. Tobias™ Beta Blend a similar brand through internet sales world-wide. MRC and the Corporation each hold 50% of the outstanding shares of Centre Beach. Centre Beach's main office is located at 610 Chartwell Road, Oakville, Ontario, Canada L6J 4A5.

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

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

Management judgments and estimate

Centre Beach's fiscal year-end is December 31. Selected items from the financial statements of the joint venture as at October 31, 2021 are not determinable as the most recent financial results provided by the joint venture are dated March 31, 2021. Management has made estimates of the liability due to the joint venture.

Centre Beach is a joint venture and equity accounting is applied under IAS 28 *Investments in Associates and Joint Ventures*. For the year ended October 31, 2021 the Corporation recognized a \$63,775 liability (year ended October 31, 2020: \$25,825) related to its estimate of the activity of the joint venture and its estimated financial obligation to fund the joint venture. For year ended October 31, 2021, the Corporation recognized \$40,000 (year ended October 31, 2020: \$27,277) in expenses related to the activity of the joint venture

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

15. Foreign Currency

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

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenues or expenses are denominated in a different currency from the Corporation's functional currency. The Corporation is exposed to foreign exchange fluctuations as the majority of its revenues and some of its expenses are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. For the year ended October 31, 2021, the Corporation's foreign exchange gains were \$27,231 (year ended October 31, 2020: losses of \$28,396). The U.S. dollar to Canadian dollar foreign exchange rate as at October 31, 2021 was \$1.2384 (October 31, 2020: \$1.3318).

The Canadian dollar carrying value of U.S. dollar financial instruments are as follows:

<i>As at</i>	October 31, 2021	October 31, 2020
Cash and cash equivalents	\$ 116,330	\$ 769
Trade and other receivables, net	343,037	502,295
Accounts payable and accrued liabilities	(135,167)	(605,506)
Total	\$ 324,200	\$ (102,442)

The impact of a 10% fluctuation in the U.S. dollar exchange rate on the statement of total comprehensive loss and statement of changes in equity would be \$32,420.

16. Common Shares

Treasury shares

Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of total comprehensive loss on the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized within equity in contributed surplus. The authorized share capital of the Corporation consists of an unlimited number of voting common shares.

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 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

Notes to the Financial Statements

In Canadian dollars, for the years ended October 31, 2021 and October 31, 2020

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 shares at \$0.445 per share in settlement of a \$50,000 consulting fee.

On February 16, 2021, the Corporation completed a "bought-deal" financing, issuing 15,000,000 investor units at an issue price of \$0.50 per unit for aggregate gross proceeds of \$7,500,000. 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 \$1,485,420 based on a Black-Scholes-Merton calculation with the following assumptions: share price of \$0.66, exercise price of \$0.75, time to maturity of 3 years, annual risk-free interest rate of 0.26% based on Canada three-year benchmark bond yield, and a historical 3-year stock volatility of 82.11%.

In connection with the private placement, the Corporation paid cash finder's fees of \$525,000 and issued 1,050,000 compensation broker warrants. Each broker warrant entitles the holder to purchase one common share of the Corporation at \$0.50 per common share for a period of 2 years. The broker warrants were assigned a fair value of \$345,450 based on a Black-Scholes-Merton calculation with the following assumptions: share price of \$0.66, exercise price of \$0.50, time to maturity of 2 years, annual risk-free interest rate of 0.21% based on Canada two-year benchmark bond yield, and a historical 2-year stock volatility of 77.32%. The Corporation incurred transaction costs in connection with the financing of \$207,671, of which \$65,000 was recognized within equity as at January 31, 2021.

On February 17, 2021, 14,000 outstanding broker warrants were exercised at \$0.50 per warrant for proceeds of \$7,000. In settlement of the warrants, the Corporation issued 14,000 common shares. As a result of this exercise and as per the original terms of the warrant issue, 7,000 underlying broker warrants are now exercisable at an exercise price of \$0.75 and will remain exercisable until January 27, 2022.

On March 17, 2021, 800 outstanding broker warrants were exercised at \$0.50 per warrant for proceeds of \$400. In settlement of the warrants, the Corporation issued 800 common shares.

On March 28, 2021, the Corporation issued 174,552 common shares at \$0.603 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, 2021, the Corporation issued 3,931 common shares at \$0.58 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.

17. Warrants

As at October 31, 2021, the Corporation had 14,148,310 warrants outstanding, as follows:

Date of Issue	Subscriber Warrants	Agent Warrants	Underlying Warrants	Term (Years)	Date of Expiry	Exercise Price
30-Nov-2017	2,029,250			4.2	28-Jan-2022 ¹	\$ 1.20
2-Jan-2020	1,250,000			3.0	2-Jan-2023	\$ 0.75
2-Jan-2020 ²		186,000		2.0	2-Jan-2022	\$ 0.50
2-Jan-2020 ²			100,000	2.0	2-Jan-2022	\$ 0.75
27-Jan-2020	1,750,000			3.0	27-Jan-2023	\$ 0.75
27-Jan-2020 ²		189,240		2.0	27-Jan-2022	\$ 0.50
27-Jan-2020 ²			94,620	2.0	27-Jan-2022	\$ 0.75
16-Feb-2021	7,500,000			3.0	16-Feb-2024	\$ 0.75
16-Feb-2021		1,049,200		2.0	16-Feb-2023	\$ 0.50
	12,529,250	1,424,440	194,620			

Note 1: On June 11, 2021, the Corporation received approval from the TSX Venture Exchange to extend the expiry date of 2,029,250 subscriber warrants from June 30, 2021 to January 28, 2022.

Note 2: Each of the 186,000 outstanding agent warrants issued on January 2, 2020 and 189,240 agent warrants issued on January 27, 2020 entitle the holder to purchase one finder unit, which consists of one common share of the Corporation and one additional half-share purchase warrant (or the underlying warrant). See Note 16.

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As at October 31, 2020, the Corporation had 8,709,798 warrants outstanding, as follows:

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.

18. Related party disclosures and key management compensation

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

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

	Year ended	
	October 31, 2021	October 31, 2020
Short-term benefits	\$ 740,657	\$ 739,162
Short-term bonus compensation	108,600	-
Share-based payments	196,279	224,260
Total key management compensation	\$ 1,045,536	\$ 963,422

Key management compensation

IAS 24 *Related Party Disclosures* requires disclosure of key management compensation when paid to a third party (such as a corporation) and not directly to a director or officer. During the year ended October 31, 2021, \$468,600 in fees were issued to a corporation for services rendered as CEO (year ended October 31, 2020: \$360,000 in fees). The CEO received total compensation of \$538,830 including fees and share-based payments. \$30,000 in future compensation was paid in advance to the corporation (see Note 11).

China JV wind-up

On July 24, 2018, the Corporation entered into an agreement to wind up Shaanxi Jintai China-Canada Beta-carotene Oxidation Biological Company, its joint venture in China (the "China JV"). Upon the completion of the wind-up on November 25, 2019, 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 for expenses incurred.

Consulting fees

On July 24, 2018, the Corporation entered into a two-year consulting agreement with the former China JV 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, 2021 the Corporation did not recognize or incur any consulting fees (October 31, 2020: \$50,000 in consulting fees). 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.

19. Events after the end of the reporting period

Subsequent to October 31, 2021, the Corporation delivered 3,150kg of OxC-Beta Livestock to a customer in the Philippines in settlement of an outstanding purchase order.

On January 2, 2022, 286,000 agent and underlying Common Share Purchase Warrants expired.