Consolidated Financial Statements

SOLARVEST BIOENERGY INC.

April 30, 2019

(expressed in Canadian dollars)

(Unaudited)

Responsibility for Consolidated Interim Financial Statements

The accompanying consolidated interim financial statements for Solarvest BioEnergy Inc. have been prepared by management in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgement. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited interim financial statements have been fairly presented.

The auditor of Solarvest BioEnergy Inc. has not performed a review of the unaudited interim financial statements for the nine months ended April 30, 2019.

SOLARVEST BIOENERGY INC.
Consolidated statements of financial position
(expressed in Canadian dollars)

	April 30 2019 Unaudited	July 31 2018 Audited
Assets		
Current assets		
Cash and cash equivalents	**$ 171,230**	$ 128,307
Receivables	**19,107**	19,332
Prepaid expenses	**3,945**	3,551
	194,282	151,190
Capital Assets (Note 4)	**415,672**	472,757
Intellectual Property (Note 5)	**260,186**	278,523
Total Assets	**$ 870,140**	$ 902,470
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 757,962**	$ 853,756
Due to related party (Note 15)	**1,042,728**	1,090,830
Promissory note payable (Note 6)	**158,882**	154,378
Current portion of long term debt (Note 7)	**29,148**	29,148
	1,988,720	2,128,112
Long term debt (Note 7)	**271,625**	293,052
0% convertible debenture, due March 26, 2021 (Note 8)	**732,130**	633,812
Shareholders' Equity		
Share Capital (Note 9)	**5,831,157**	5,154,462
Contributed surplus (Note 10)	**509,074**	439,374
Warrants (Note 11)	**977,897**	737,632
Deficit	**(9,440,463)**	(8,483,974)
	(2,122,335)	(2,152,506)
Total Equity and Liabilities	**$ 870,140**	$ 902,470

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statements of comprehensive loss
(expressed in Canadian dollars)
(Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2019	2018	**2019**	2018
Revenue	$ -	$ -	$ -	$ -
Expenses				
Amortization	25,924	$ 45,028	$ 77,772	$ 135,085
Insurance	10,216	6,886	31,150	19,880
Interest expense	5,227	3,427	14,777	10,550
Licence fees	885	-	1,023	605
Office and general	14,549	(1,025)	41,724	18,141
Professional fees	41,425	143,260	155,799	193,868
Registration and filing fees	8,601	11,094	17,207	15,577
Rent and utilities	22,466	23,101	71,941	67,602
Research and development	140,581	119,649	438,163	306,322
Shareholder costs	1,599	705	2,124	3,423
Transfer agent	3,970	2,542	6,305	4,202
Travel	10,029	6,616	17,393	8,659
Foreign exchange (gain) loss	166	181	(17,207)	141
Convertible debenture costs (Note 8)	32,773	10,716	98,318	10,716
	318,411	372,180	956,489	794,771
Net Loss before other comprehensive loss	(318,411)	(372,180)	$ (956,489)	$ (794,771)
Basic and diluted loss per share (note 12)	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statement of cash flows
(expressed in Canadian dollars)
(Unaudited)

For the nine months ended April 30,	**2019**	2018
Operating Activities		
Income (Loss) from operations	$ (956,489)	$ (794,771)
Adjustments to reconcile net loss from operating activities		
Amortization	77,772	135,085
Convertible debenture costs	98,318	10,716
Interest on promissory note	4,504	4,504
Changes in non-cash working capital items		
(Increase) decrease in receivables	225	(4,578)
(Increase) decrease in prepaid expenses	(394)	(462)
Increase (decrease) in accounts payable and accrued liabilities	(95,793)	(231,699)
Increase in due to related party	(48,102)	243,971
	(919,959)	(637,234)
Investing Activities		
Acquisition of equipment	(2,351)	(2,952)
Financing Activities		
Increase in due to related parties	-	170,000
Proceeds from issuance of capital stock	1,095,500	-
Cost of issue	(108,840)	-
Repayments of Capital Improvements Loan	(21,427)	(17,451)
Net proceeds from convertible debenture financing	-	920,000
	965,233	1,072,549
Net change in cash	42,923	432,363
Cash, beginning of period	128,307	201,121
Cash, end of period	$ 171,230	$ 633,484

See accompanying notes to the financial statements

SOLARVEST BIOENERGY INC.
Consolidated statements of changes in equity
(expressed in Canadian dollars)
(Unaudited)

	Share Capital		**Reserves**			
	Number of shares	Amount $	Equity settled employee benefits $	Warrants $	Deficit $	Total
Balance, July 31, 2017	23,460,216	4,823,242	423,543	223,635	(7,211,225)	(1,740,805)
Expiry of warrants	-	-	15,831	(15,831)	-	-
Fair value of warrants issued	-	-	-	442,528	-	442,528
Comprehensive loss for the period	-	-	-	-	(794,771)	(794,771)
Balance, April 30, 2018	23,460,216	4,823,242	439,374	650,332	(8,005,996)	(2,093,048)
Private placement	1,710,000	274,700	-	87,300	-	362,000
Shares for services	256,909	56,520	-	-	-	56,520
Comprehensive loss for the period	-	-	-	-	(477,978)	(477,978)
Balance, July 31, 2018	25,427,125	5,154,462	439,374	737,632	(8,483,974)	(2,152,506)
Private placement	5,477,500	819,700	-	275,800	-	1,095,500
Cost of issue	-	(143,005)	-	34,165	-	(108,840)
Expiry of warrants	-	-	69,700	(69,700)	-	-
Comprehensive loss for the period	-	-	-	-	(956,489)	(956,489)
Balance, April 30, 2019	30,904,625	5,831,157	509,074	977,897	(9,440,463)	(2,122,335)

See accompanying notes to the financial statements

1 Nature of operations and continuance of operations

The Company was incorporated under the Business Corporations Act (BC) on November 9, 2005. The principal business of the Company is the development of its algal-based production systems to produce natural based "green" commercial projects. The address of the Company's registered office is 439 Helmcken Street, Vancouver B.C. V6B 2E6. To date the Company has not earned significant revenues and is considered to be in the development stage.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Phycobiologics (Europe) Limited ("Phyco Europe"), Phyco Hydrogen Inc. ("PHI"), and Solarvest (P.E.I.) Inc. ("PEI"). All significant inter company accounts and transactions have been eliminated upon consolidation.

The Company has financed its activities to date through the issuance of common shares and continues to seek capital through various means including the issuance of equity and/or debt.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has had net losses since inception, has a working capital deficiency and a deficit, as follows:

	April 30 2019	July 31 2018
Working capital (deficiency)	$ (1,794,438)	$ (1,976,922)
Deficit	$ (9,440,463)	$ (8,483,974)

The continuing operations of the Company are dependent upon its ability to continue to secure adequate financing and to commence profitable operations in the future.

2. Basis of presentation

These consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

3. Significant accounting policies

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended July 31, 2018. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements. These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries, and were approved by the Board of Directors on June 25, 2019.

(expressed in Canadian dollars)

4. Capital Assets

April 30, 2019

	Cost	Accumulated Amortization	Net Book Value
Land	10,000	-	10,000
Building	90,000	4,446	85,554
Equipment	$ 1,061,753	$ 745,731	$ 316,022
Computer	22,234	18,138	4,096
Leasehold Improvements	520,255	520,255	-
	$ 1,704,242	$ 1,288,570	$ 415,672

July 31, 2018

	Cost	Accumulated Amortization	Net Book Value
Land	10,000	-	10,000
Building	90,000	1,800	88,200
Equipment	$ 1,061,753	$ 689,792	$ 371,961
Computer	19,883	17,287	2,596
Leasehold Improvements	520,255	520,255	-
	$ 1,701,891	$ 1,229,134	$ 472,757

5. Intellectual Property

The Intellectual property consists of the acquisition costs of worldwide exclusive rights, subject to limited exceptions, to an Inducible Chloroplast Gene Expression System, through the acquisition of the shares of Phyco Europe, the issuance of Class B common shares of PHI, the subsequent repurchase of the Class B common shares of PHI and patent acquisition costs. Component costs have been summarized below:

	April 30 2019	July 31 2018
Acquisition of shares of Phyco Europe	$ 146,886	$ 146,886
Issuance of Class B Common Shares of PHI	10	10
Acquired pursuant to acquisition of shares of PHI	144,426	144,426
Patent acquisition costs	95,011	95,011
Kohilo's Patent acquisition costs	102,643	102,643
	488,976	488,976
Accumulated amortization	228,790	210,453
Net Book Value	$ 260,186	$ 278,523

(expressed in Canadian dollars)

6. Promissory Note Payable

The Company received $100,000 by issuing a promissory note to a director of the Company. The promissory note is unsecured and was issued on July 15, 2009 bearing an interest rate of 6% compounded annually. The note is due on demand. Interest of $58,882 has been accrued to April 30, 2019 (July 31, 2018 - $54,378).

7 Long-term debt

	April 30 2019	July 31 2018
0% ACOA loan, due March 1, 2025, repayable in monthly instalments of $1,200 beginning May 1, 2015	$ 86,400	$ 97,200
7% first time entrepreneur loan, due February 2027, repayable in monthly interest installments of $2,613, including principal and interest	214,373	225,000
	300,773	322,200
Less: Current portion	29,148	29,148
	$ 271,625	$ 293,052

On January 23, 2013, the Company entered into an agreement with Atlantic Canada Opportunities Agency (ACOA) whereby ACOA agreed to loan 50% of the value of eligible capital assets incurred on the newly leased premises estimated to be $789,000. On March 25, 2015, the loan agreement was amended under same terms and conditions except that the monthly repayment amount is changed to $1,200 per month commencing May 1, 2015. This loan is unsecured.

On July 29, 2018, the Company entered into a loan agreement with Active Communities Lending Inc. ("ACLI"), a PEI corporation. The loan is secured by land, building and a Model P1 pulse dryer system with a net book value of $255,700, and bears interest at 7% per annum, calculated daily, not in advance and has a term of 9.5 years maturing on February 28, 2027.

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

Year ending July 31,	2019	29,148
	2020	31,556
	2021	32,829
	2022	34,145
	2023	35,573

(expressed in Canadian dollars)

8 Convertible debenture due March 26, 2021

On March 26, 2018, the Company closed a financial transaction in which it issued convertible debenture units ("Units") for aggregate gross proceeds of $1,000,000 and 5,000,000 warrants. The 0% convertible debenture can be converted into common shares ("Shares") at a price of $0.20 per share for a period of 36 months from the closing date. If the debenture is not converted into common shares, the principal amount is due and payable in full within 30 days following the due date of March 26, 2021.

The 5,000,000 warrants issued as part of the convertible debenture units can be converted into common shares at a price of $0.25 per share for a period of 36 months from closing date.

In connection with the financing, the Company paid $80,000 in finders' fees and issued 400,000 finders' warrants having a fair value of $14,900 assigned using the Black-Scholes model. Each finder warrant entitles the holder to acquire one share at a price of $0.25 for a period of 36 months from the date of closing.

	July 31, 2018	Changes	April 30, 2019
Cash received	$ 1,000,000	$ -	$ 1,000,000
Value of warrant assigned	(442,528)	-	(442,528)
	557,472	-	557,472
Unrealized loss due to fair value adjustment on convertible debenture	193,843	-	193,843
Fair value of convertible debenture	751,315	-	751,315
Transaction costs	(160,365)	-	(160,365)
Interest expense accretion	25,043	58,227	83,270
Amortization of transaction costs	17,819	40,091	57,910
Balance	$ 633,812	$ 98,318	$ 732,130

Imputed interest rate at 10% of the convertible debenture has been recognized as a reduction in the carrying value of the debenture and an unrealized loss on issuance of convertible debenture.

9. Share capital

Authorized share capital

At April 30, 2019, the authorized share capital consisted of unlimited number of common shares and the issued share capital amounted to $5,831,157. The common shares do not have a par value. All issued shares are fully paid.

Fiscal year ending July 31, 2019

On November 13, 2018 and January 22, 2019, the company closed a non-brokered private placement of 5,477,500 Units at a price of $0.20 per unit for gross proceeds of $1,095,500. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.25 per share for a period of three years following closing. In connection with the private placement, the Company paid $83,840 cash commission and issued 419,200 broker warrants with each broker warrant under the same terms and conditions as a regular warrant.

Fiscal year ended July 31, 2018

On June 8, 2018, the Company closed a non-brokered private placement of 400,000 Units at a price of $0.25 per unit for gross proceeds of $100,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of two years from date of issuance and include an acceleration clause that is triggered by a 20 day volume weighted average share price of $0.95 per share.

(expressed in Canadian dollars)

9. Share capital - continued

Fiscal year ended July 31, 2018 - continued

On June 13, 2018, the Company issued 256,909 common shares valued at $0.22 per share to settle debt to a supplier aggregating US$43,652 (Cdn $56,520)

Between July 17, 2018 and July 27, 2018, the Company closed a non-brokered private placement of 1,310,000 Units at a price of $0.20 per unit for gross proceeds of $262,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.25 per share for a period of three years from date of issuance and include an acceleration clause that is triggered by a 20 day volume weighted average share price of $0.55 per share.

Other Commitments to Issue Shares

As at April 30, 2019, the Company was obligated to issue up to a total of 500,000 shares pursuant to the project having reached a level in research whereby hydrogen production can be brought to viable commercial production through a method of controlling key genes in algae which will result in continuous production of hydrogen.

10. Share Options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statement of loss and comprehensive loss using the Black Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following table reflects the actual share options issued and outstanding as at April 30, 2019.

No. of options Outstanding and Exercisable	Exercise Price	Expiry Date
895,000	0.30	February 18, 2021

11. Warrants

In connection with the private placement between December 4, 2015 and April 6, 2016, the Company issued 600,000 warrants to subscribers. These warrants expired between June 4, 2017 and October 5, 2017 respectively and has a fair value of $40,336 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 72% to 87% and an expected life of 1.5 years.

On May 19, 2017, these warrants were extended for an additional twelve (12) months and will expire between June 4, 2018 to October 5, 2018 with all other terms and conditions, including the exercise price of $0.35 per share remaining unchanged. On May 18, 2018, these warrants were further extended for another period of two years with all other terms remaining unchanged.

In connection with the private placement on July 7, 2017, the Company issued 680,000 warrants to subscribers. These warrants will expire on July 7, 2019 and has a fair value of $22,600 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.00%; dividend yield - 0%; expected stock volatility - 87% and an expected life of 2 years. The Company paid $13,600 in commissions and issued 54,400 broker warrants valued at $2,404 using the same assumptions as described above.

In connection with the convertible debenture financing on March 26, 2018, the Company issued 5,000,000 warrants to subscribers and 400,000 finders' warrants. These 5,400,000 warrants expired on March 26, 2021 and has a fair value of $442,528 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 60% and an expected life of 3 years.

In connection with the private placement on June 8, 2018, the Company issued 400,000 warrants to subscribers. These warrants will expire on June 8, 2020 and has a fair value of $14,900 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 56.56% and an expected life of 2 years.

In connection with the private placement arranged between July 17, 2018 and July 27, 2018, the Company issued 1,310,000 warrants to subscribers. These warrants will expire between July 17, 2021 and July 27, 2021 and have a fair value of $72,400 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 57.69% and an expected life of 3 years.

In connection with the private placement arranged between November 13, 2018 and January 22, 2019, the Company issued 5,477,500 warrants to subscribers. These warrants will expire between November 13, 2021 and January 22, 2022 and have a fair value of $275,800 assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.50%; dividend yield - 0%; expected stock volatility - 70% and an expected life of 3 years. The value ascribed to the 419,200 broker warrants is $34,165 using the same assumptions as noted above.

(expressed in Canadian dollars)

11. Warrants - continued

The warrants outstanding as at April 30, 2019 is summarized below:

No. of warrants Outstanding and Exercisable	Exercise Price	Expiry Date
300,000	0.35	June 4, 2020
100,000	0.35	August 4, 2020
200,000	0.35	October 5, 2020
734,400	0.35	July 7, 2019
5,400,000	0.25	March 26, 2021
400,000	0.35	June 8, 2020
960,000	0.25	July 17, 2021
350,000	0.25	July 27, 2021
2,376,000	0.25	November 13, 2021
3,520,700	0.25	January 22, 2022
14,341,100		

12. Loss per share

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the nine months ended April 30, 2019 and 2018 were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

For the nine months ended April 30,	**2019**	2018
Loss	$ (956,489)	$ (794,771)
Weighted average number of common shares outstanding for the period	28,622,333	23,460,216
Loss per share	$ (0.03)	$ (0.03)

Diluted loss per share did not include the effect of the share options and warrants outstanding respectively as they are anti dilutive.

13. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.

The Company's cash is held with high credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and funding receivables from ACOA, a governmental agency.

13. Financial Instruments - continued

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at April 30, 2019, the Company had cash of $171,230 and is insufficient to settle current liabilities of $1,988,720 which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The company has cash and has a fixed interest rate bearing promissory note payable as a debt instrument. The Company's current policy is to invest excess cash in investment grade short term certificates of deposit issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Foreign exchange rate risks

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative activities in United States by using US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

14. Capital Management

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to ensure the Company's on going growth of the business.

The Company considers the promissory note payable and the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debts, or return capital to shareholders. As of April 30, 2019, the Company has an unsecured promissory note payable (See Note 6) and is not subject to externally imposed capital requirements.

15. Related Party Transactions

The Company entered into the following transactions with related parties during the nine months ended April 30, 2019 and 2018.

(a) Repaid advances of $48,102 (2018 - received advance of $243,972) from a director of the Company.
(b) Accrued interest of $4,504 (2018 - $4,504) due on the promissory note held by a director of the Company.
(c) Incurred and accrued $87,830 (2018 - $57,392) of legal fees to a legal firm where a principal is a director of the Company.
(d) During the nine months ended April 30, 2019 the Company accrued fees of $18,000 to the CFO for accounting services (2018 - $18,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Included in accounts payable and accrued liabilities is $286,620 (July 31, 2018 - $256,404) due to a company controlled by a director and $72,174 (July 31, 2018 - $129,458) due to directors of the Company.

Included within the due to a related party balance is $982,667 (July 31, 2018 - $1,028,303) due to Gerri Greenham (a control person of the Company), and $60,061 (July 31, 2018 - $60,061) owed to Kohilo Bio Inc., a company controlled by an employee and a director within the consolidated group of companies of Solarvest Bioenergy Inc.

The unsecured promissory note payable in the amount of $158,882 (July 31, 2018 - $154,378) is also due to Gerri Greenham. The note bears interest at 6% compounded annually and is due on demand.

16. Research and development and Contingent liabilities

Atlantic Innovation Fund

As at January 31, 2019, the Company received funding of $1,999,375 from ACOA through the Atlantic Innovation Fund. Under terms of the agreement, these funds are contingently repayable on a royalty basis of 5% of gross revenue from the above project beginning March 31, 2015. The company did not meet the repayment conditions in 2019 or prior years.

Business Development Program

As at January 31, 2019, the Company has received funding of $377,927 from ACOA through the Business Development Program. Under the terms of the agreement, these funds are contingently repayable on a royalty basis of 2.5% of gross revenue from the above project beginning March 31, 2015. The company did not meet the repayment conditions in 2019 or prior years.

17. Subsequent event

On May 7, 2019, the Company entered into an agreement with FSD Pharma Inc. ("FSD Pharma" or "FSD") whereby the Company will conduct research using its algal expression technology to develop pharmaceutical-grade cannabinoids. FSD Pharma and the Company have made investments into one another and FSD has the option to enter into an exclusive license arrangement over a subset of the project and receive royalty rights over all of the products that result from the project.

17. Subsequent event - continued

Research Agreement: CBD Research Project
The Company will carry out a research project using its algal expression system for the purpose of developing a proof of concept that algae can express pharmaceutical-grade cannabinoids. FSD and the Company have allocated an initial budget of $1,000,000 for the CBD research project, over a two-year period, and created a joint scientific review committee to assess progress of the project against budgets and timelines.

License and Royalties
Upon successful development of proof of concept, the Company and FSD Pharma intend to enter into a license agreement under which the Company will grant FSD Pharma an exclusive, worldwide license over any use of prescription drugs that can treat diseases affecting the central nervous system. In consideration for the license, FSD Pharma will be required to pay the Company a royalty equal to 5% of the net profits from the sale of such products as well as reimburse the Company for the cost of production.

In addition to the licensing arrangement, the Company will pay a royalty fee to FSD Pharma on the sale or licensing of any products that result from the project, other than the FSD licensed indications, equal to 5% of the net sales or net license fees. Once the Company has paid an aggregate of $3,000,000 in royalty fees, the royalty percentage will be reduced to 3%.

Mutual Investments
Pursuant to the agreement, the two companies have made the following investments into one another:

a) FSD Pharma has issued 10,000,000 class B subordinate voting shares in the capital of FSD Pharma shares to the Company at a price of $0.30 per FSD share;

b) The Company has issued 3,000,000 units to FSD Pharma at a price of $0.20 per unit. Each unit is comprised of one common share and one warrant, with each warrant exercisable into one additional share at an exercise price of $0.25 for a period of two years following the issuance;

and

c) The Company has issued a convertible debenture to FSD Pharma in the principal amount of $2,400,000. The debenture has a term of five years, bears interest of 3 percent per annum, and is convertible into shares at a conversion price of $1.00 per share, provided that FSD Pharma will be required to convert the debenture should the Company's shares close at a price of at least $1.20 for a period of 20 consecutive trading days.