SIRONA BIOCHEM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

Management's Responsibility

To the Shareholders of Sirona Biochem Corp. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

February 28, 2017

(signed)

"Howard Verrico"
Chief Executive Officer

(signed)

"Christopher Hopton"
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Sirona Biochem Corp.:

We have audited the accompanying consolidated financial statements of Sirona Biochem Corp., which comprise the consolidated statements of financial position as at October 31, 2016 and October 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sirona Biochem Corp. as at October 31, 2016 and October 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years the ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sirona Biochem Corp.'s ability to continue as a going concern.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that certain comparative information presented as at and for the year ended October 31, 2015, has been restated and that the comparative information presented as at November 1, 2014 has been derived from the consolidated financial statements as at and for the year ended October 31, 2014.

MNP LLP

February 28, 2017
Vancouver, BC

Chartered Professional Accountants

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		October 31, 2016		October 31, 2015		November 1, 2014
				(Restated Note 2)		(Restated Note 2)
		ASSETS				
Current Assets						
Cash and cash equivalents	$	613,158	$	1,543,105	$	613,393
Trade and other receivables (Note 6)		30,612		215,878		345,689
Tax receivables (Note 7)		261,661		276,034		229,977
Share subscription receivable (Note 18)		114,250		-		-
Prepaid expenses and deposits (Note 8)		112,289		386,236		63,670
		1,131,970		2,421,253		1,252,729
Property and equipment (Note 9)		278,078		29,178		33,128
Intangible assets (Note 10)		1,566,991		1,551,499		1,507,154
Goodwill (Note 11)		148,008		145,530		142,316
	$	3,125,047	$	4,147,460	$	2,935,327
		LIABILITIES				
Current Liabilities						
Trade and other payables (Note 12)	$	454,313	$	391,136	$	388,218
Convertible debentures (Note 13)		-		669,001		-
Current portion of lease obligation (Note 15)		33,789		-		-
Current portion of long-term debt		-		-		9,250
Deferred revenue (Note 16)		54,500		143,051		120,715
Due to related parties		-		-		5,000
		542,602		1,203,188		523,183
Convertible debentures (Note 13)		-		-		664,283
Long-term debt (Note 14)		725,911		728,078		-
Lease obligation (Note 15)		208,932		-		-
Employee benefits (Note 17)		84,428		69,932		56,240
	$	1,561,873	$	2,001,198	$	1,243,706
		SHAREHOLDERS' EQUITY				
Share capital (Note 18)	$	18,998,847	$	16,692,255		11,920,445
Contributed surplus		3,627,302		3,527,327		4,177,358
Foreign translation reserve		13,515		22,686		29,926
Equity portion of convertible debentures		-		5,717		5,717
Accumulated deficit		(21,076,490)		(18,101,723)		(14,441,825)
		1,563,174		2,146,262		1,691,621
	$	3,125,047	$	4,147,460	$	2,935,327

APPROVED ON BEHALF OF THE BOARD:

"Howard Verrico" Director *"Casper Bych"* Director
Howard Verrico Casper Bych

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended October 31, 2016 and 2015
(Expressed in Canadian dollars)

	Year Ended October 31, 2016	Year Ended October 31, 2015 (Restated Note 2)
Revenue	$ 360,500	$ 7,995
Expenses		
Research expenses	1,304,480	1,391,309
Consulting fees	451,743	381,275
Office and administration	253,640	243,139
Accounting and audit fees	249,581	237,019
Wages, salaries and benefits	245,005	286,655
Management fees	213,500	240,038
Travel and entertainment	107,718	83,259
Rental expenses	62,499	62,497
Investor relations	60,350	45,576
Legal fees	25,615	19,265
Filing fees and transfer agent fees	24,902	32,836
Management conferences and meetings	18,623	23,896
Exchange gain/loss	4,875	(16,263)
Share-based payments	276,780	551,201
	(2,938,811)	(3,573,707)
Other income/(expenses)		
Other income	3,486	-
Finance income	683	666
Finance expense	(40,125)	(86,857)
	(35,956)	(86,191)
Loss for the year	(2,974,767)	(3,659,898)
Other comprehensive loss for the year		
Foreign currency translation	(9,171)	(7,240)
Net loss and comprehensive loss for the year	$ (2,983,938)	$ (3,667,138)
Loss per share - basic and diluted	$ (0.02)	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	159,465,258	138,341,553

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars, except share number)

	Issued Common Shares Number	Issued Common Shares Amount	Contributed surplus	Foreign translation reserve	Equity portion of convertible debenture	Accumulated Deficit	Total Equity
BALANCE, OCTOBER 31, 2014 (Restated Note 2)	127,745,970	$ 11,920,445	$ 4,177,358	$ 29,926	$ 5,717	$ (14,441,825)	1,691,621
Loss for the year	-	-	-	-	-	(3,659,898)	(3,659,898)
Issuance of shares for service provided (Note 18)	750,000	97,500	-	-	-	-	97,500
Issuance of bonus shares (Note 18)	203,125	34,531	-	-	-	-	34,531
Issuance of stock options (Note 18)	-	-	551,201	-	-	-	551,201
Exercise of options (Note 18)	1,598,000	337,641	(107,191)	-	-	-	230,450
Exercise of warrants (Note 18)	21,105,620	4,302,138	(1,094,041)	-	-	-	3,208,097
Foreign currency translation	-	-	-	(7,240)	-	-	(7,240)
BALANCE, OCTOBER 31, 2015 (Restated Note 2)	151,402,715	$ 16,692,255	$ 3,527,327	$ 22,686	$ 5,717	$ (18,101,723)	$ 2,146,262
Loss for the year	-	-	-	-	-	(2,974,767)	(2,974,767)
Private placement, net of share issuance cost (Note 18)	4,147,500	698,725	106,775	-	-	-	805,500
Conversion of convertible debentures (Note 13 and Note 18)	5,583,333	675,717	-	-	(5,717)	-	670,000
Issuance of stock options (Note 18)	-	-	276,780	-	-	-	276,780
Exercise of options (Note 18)	3,584,000	835,568	(262,998)	-	-	-	572,570
Exercise of warrants (Note 18)	380,000	96,582	(20,582)	-	-	-	76,000
Foreign currency translation	-	-	-	(9,171)	-	-	(9,171)
BALANCE, OCTOBER 31, 2016	165,097,548	$ 18,998,847	$ 3,627,302	$ 13,515	$ -	$ (21,076,490)	$ 1,563,174

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Year Ended October 31, 2016	Year Ended October 31, 2015 (Restated Note 2)
Operating Activities		
Net loss for the year	$ (2,974,767)	$ (3,659,898)
Items not requiring use of cash:		
Amortization	148,544	114,544
Share-based payments	276,780	551,201
Interest accretion	999	4,718
Consulting fees	-	132,031
Changes in operating assets and liabilities:		
Trade and other receivables	179,522	120,702
Prepaid expenses and deposits	260,255	(321,593)
Trade and other payables	112,283	51,656
Due to related parties	-	(5,000)
Employee benefits	13,325	12,140
Tax receivable	4,503	(4,707)
Deferred revenue	(88,775)	22,063
Interests paid	(35,925)	(80,400)
Cash used in operating activities	(2,103,256)	(3,062,543)
Investing Activities		
Purchase of property and equipment	(25,463)	(13,700)
Acquisition of intangible assets	(110,569)	(104,891)
Cash used in investing activities	(136,032)	(118,591)
Financing Activities		
Shares issued for cash, net of share issuance costs	805,500	-
Option and warrants exercised	534,320	3,438,547
(Repayment)/borrowings	(12,160)	702,303
Cash provided by financing activities	1,327,660	4,140,850
Increase (decrease) in cash and cash equivalents	(911,628)	959,716
Effect of exchange rate fluctuations	(18,319)	(30,004)
Cash and cash equivalents, beginning of year	1,543,105	613,393
Cash and cash equivalents, end of year	$ 613,158	$ 1,543,105

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on October 19, 2006 under the Business Corporations Act of British Columbia. The Company is a development stage public company listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol SBM. The Company is a cosmetic ingredient and drug discovery company with a proprietary technology platform developed at its laboratory facility in France with a specialization in the stabilization of carbohydrate molecules. The principle activities of the Company are dedicated to the development of safer, more effective cosmetic and pharmaceutical active ingredients which are licensed to partners in exchange for upfront, milestone and royalty payments.

The head office, principal address and registered and records office of the Company are located at 605 – 889 West Pender Street, Vancouver, BC, V6C3B2.

2. RESTATEMENT AND BASIS OF PRESENTATION AND GOING CONCERN

Restatement and comparative figures

In preparing the consolidated financial statements for the year ended October 31, 2016, the Company identified certain prior year errors and determined to restate the consolidated financial statements for the year ended October 31, 2015 for the following items:

i. The Company had determined that the unused loss carry-forwards for French income tax purpose was not applied to offset the deferred tax liability recognized in the purchase price allocation for the business acquisition completed on March 31, 2011. The correction of this prior year error resulted in a decrease of $448,533 to goodwill, $396,856 to deferred tax liabilities, $30,785 to foreign translation reserve, an increase of $20,892 to accumulated deficit as at October 31, 2015, and an increase of $7,008 to net loss and comprehensive loss, for the year ended October 31, 2015.

ii. The Company has determined that intangible assets were overstated as a result of inappropriate capitalization of certain patent costs. The correction of this prior year error resulted in a decrease of $150,191 to patents, $15,351 to foreign translation reserve, and a corresponding increase of $134,840 to accumulated deficit as of October 31, 2015, and an increase of $96,180 in net loss and comprehensive loss for the year ended October 31, 2015.

The following tables presents the impact of the restatement adjustments on the Company's previously reported consolidated financial statements as at and for the year ended October 31, 2015, as well as the impacts on the consolidated statement of financial position as at October 31, 2014.

(Expressed in Canadian dollars)

2. RESTATEMENT AND BASIS OF PRESENTATION AND GOING CONCERN (continued)

Restatement and comparative figures (continued)

The restated line items on the consolidated financial position at October 31, 2015 have been reconciled to the previously reported amounts as follows:

	October 31, 2015		
	Previously reported	Adjustments	As restated
	$	$	$
Assets			
Intangible assets	1,701,690	(150,191)	1,551,499
Goodwill	594,063	(448,533)	145,530
Total Assets	4,746,184	(598,724)	4,147,460
Liabilities			
Deferred tax liability	396,856	(396,856)	-
Total Liabilities	2,398,054	(396,856)	2,001,198
Foreign translation reserve	68,822	(46,136)	22,686
Accumulated deficit	(17,945,991)	(155,732)	(18,101,723)
Total Shareholders' Equity	2,348,130	(201,868)	2,146,262
Total Liabilities and Shareholders' Equity	4,746,184	(598,724)	4,147,460

The restated line items on the consolidated statement of loss and comprehensive loss for the year ended October 31, 2015 have been reconciled to the previously reported amounts as follows:

	Year Ended October 31, 2015		
	Previously reported	Adjustments	As restated
	$	$	$
Expenses			
Research expenses	1,298,507	92,802	1,391,309
Total Expenses	(3,480,905)	(92,802)	(3,573,707)
Loss before income taxes	(3,567,096)	(92,802)	(3,659,898)
Income taxes recovery	20,954	(20,954)	-
Net loss for the year	(3,546,142)	(113,756)	(3,659,898)
Other comprehensive loss for the year			
Foreign currency translation	(17,808)	10,568	(7,240)
Net loss and comprehensive loss for the year	(3,563,950)	(103,188)	(3,667,138)

(Expressed in Canadian dollars)

2. RESTATEMENT AND BASIS OF PRESENTATION AND GOING CONCERN (continued)

Restatement and comparative figures (continued)

The restated line items on the consolidated statement of cash flows for the year ended October 31, 2015 have been reconciled to the previously reported amounts as follows:

	Year Ended October 31, 2015		
	Previously reported	Adjustments	As restated
	$	$	$
Operating Activities			
Net loss for the year	(3,546,142)	(113,756)	(3,659,898)
Items not requiring use of cash:			
Amortization of equipment and intangible assets	212,910	(98,366)	114,544
Deferred income tax expense (recovery)	(3,600)	3,600	-
Cash used in operating activities	(2,854,021)	(208,522)	(3,062,543)
Investing Activities			
Acquisition of intangible assets	(313,413)	208,522	(104,891)
Cash used in investing activities	(327,113)	208,522	(118,591)

The restated line items on the consolidated statement of financial position at November 1, 2014 have been reconciled to the previously reported amounts as follows:

	November 1, 2014		
	Previously reported	Adjustments	As restated
	$	$	$
Assets			
Intangible assets	1,561,165	(54,011)	1,507,154
Goodwill	580,945	(438,629)	142,316
Total Assets	3,427,967	(492,640)	2,935,327
Liabilities			
Deferred tax liability	393,960	(393,960)	-
Total Liabilities	1,637,666	(393,960)	1,243,706
Foreign translation reserve	86,630	(56,704)	29,926
Accumulated deficit	(14,399,849)	(41,976)	(14,441,825)
Total Shareholders' Equity	1,790,301	(98,680)	1,691,621
Total Liabilities and Shareholders' Equity	3,427,967	(492,640)	2,935,327

2. RESTATEMENT AND BASIS OF PRESENTATION AND GOING CONCERN (continued)

Restatement and comparative figures (continued)

Certain comparative figures have been reclassified to conform to the current year's presentation:

- On the consolidated statements of financial position as of October 31, 2015 and 2014, goodwill and intangible assets of $2,295,753 and $2,142,110, respectively, were presented as one line item. On the consolidated statements of financial position as of October 31, 2016, goodwill of $594,063 and intangible assets of $1,701,690 as of October 31, 2015 and goodwill of $580,945 and intangible assets of $1,561,165 are separately presented.

- On the consolidated statements of financial position as of October 31, 2015 and 2014, equity portion of convertible debenture of $5,717 is presented in the share option and warrants reserve. On the consolidated statements of financial position as of October 31, 2016, equity portion of convertible debenture of $5,717 as of October 31, 2015 and 2014 is presented separately and the description of share option and warrants reserve is changed to contributed surplus.

- On the consolidated statements of loss and comprehensive loss for the year ended October 31, 2015, rental expenses of $62,497 were presented within office and administration items. On the consolidated statements of loss and comprehensive loss for the year ended October 31, 2016, rental expense of $62,497 is presented separately.

The restatements have no impact on net book value or the consolidated balance sheets, statements of loss and comprehensive loss, or consolidated statements of cash flows. The impact on the notes to the financial statements is immaterial.

Statement of compliance

These consolidated financial statements of the Company and its subsidiary are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on February 28, 2017.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved a scalable commercialization of its products. As of October 31, 2016, the Company has an accumulated deficit of $21,076,490 (2015 - $18,101,723). For the year ended October 31, 2016, the Company incurred a net loss of $2,974,767 (2015 – $3,659,898) and used net cash in operating activities of $2,103,256 (2015 – $3,062,543).

The Company's ability to continue as a going concern is dependent upon its ability to generate product sales, negotiate collaboration or license agreements with upfront payments, raise additional funding via debt and equity financing, and ultimately attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

2. RESTATEMENT AND BASIS OF PRESENTATION AND GOING CONCERN (continued)

Going concern (continued)

These circumstances comprise a material uncertainty which cast significant doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Basis of measurement

These consolidated financial statements have been prepared on a historical costs basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The functional currency of its wholly owned subsidiary, TFC, is Euro.

Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, TFChem S.A.R.L. ("TFC"), a biopharmaceutical company based in Rouen, France.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All significant inter-company balances and transactions between the Company and its wholly-owned subsidiary have been eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. None-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the year. All resulting exchange differences are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as foreign translation reserve.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Classification and measurement

At initial recognition, financial instruments are classified into the following categories depending on the purposes for which the instruments were acquired:

- Financial assets and liabilities at fair value through profit and loss ("FVTPL"):
  A financial asset or liability is classified as FVTPL if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of comprehensive income (loss) in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the financial position date, which is classified as non-current.

- Available-for-sale:
  Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost in which case the loss is recognized in the statement of comprehensive income (loss). They are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement (continued)

- Loans and receivables:
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period.

- Held-to-maturity investments
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less a provision for impairment. They are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

- Financial liabilities at amortized cost:
  Financial liabilities other than those classified as FVTPL are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. Financial liabilities at amortized costs are classified as current liabilities if payment is due within twelve months after the end of the reporting period. Otherwise, they are presented as non-current liabilities.

Transaction costs associated with financial assets or financial liabilities carried at FVTPL are expensed as incurred while transaction costs associated with all other financial assets or financial liabilities are included in the initial carrying amount of the asset or liabilities.

The Company classifies cash and cash equivalents as FVTPL, trade and other receivables and share subscription receivable as loans and receivables, and trade and other payable, convertible debentures, lease obligation, and long term debt as financial liabilities at amortized cost. The Company does not have any derivative financial instruments.

Impairment of financial assets

Financial assets not carried at FVTPL are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity, to net income (loss). The cumulative loss that is removed from other comprehensive income (loss) and recognized in net income (loss) is the difference between the acquisition costs, net of any principal repayment and amortization, and the current fair value less any impairment loss previously recognized in net (income) loss. If subsequently the fair value of any impaired available-for sale financial assets increases, then the impairment loss is reversed with the amount of the reversal recognized in net income (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid instruments that are readily convertible to cash with a maturity of three months or less when initially purchased.

Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses. An allowance for doubtful account is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property and equipment includes the acquisition cost and any direct costs to bring the asset into productive use at its intended location. Depreciation is calculated on a straight-line basis over the estimated useful lives. One-half of the depreciation amounts are taken in the year of acquisition. Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives as follows:

Industrial equipment	1 to 4 years
Computer equipment	1 to 3 years
Office equipment	3 years
Furniture	3 to 5 years
Scientific instrument under finance lease	the shorter of estimated useful lives or lease term

Property and equipment are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable. Any gain or loss on disposal of an item of equipment is recognized in profit or loss within the period of disposal.

Leases

Finance leases

Leases of property and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred the Company are classified as finance leases. Assets under finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Minimum lease payments are apportioned between the reduction of the outstanding lease liability and finance expense. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term, unless there is a reasonable certainty the Company will obtain ownership of the leased asset by the end of the lease term in which case it is deprecated over its useful life.

Operating leases

Other leases are operating leases and not recognized in the statement of financial position. Lease payments made under operating leases are charged as expenses on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognized as a reduction to the lease expense on a straight-line basis over the life of the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets acquired through a business combination are identified and recognized separately from goodwill where they arise from legal or contractual rights or are capable of being separated from the acquiree and sold, transferred, licensed or exchanged. The cost of such intangible assets is deemed to be their fair value at the acquisition date. Intangible assets not acquired through a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Internally-generated intangible assets are recognized to the extent the criteria in IAS 38 - Intangible Assets are met. Development costs for internally-generated intangible assets are capitalized at cost if, and only if, the Company can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, they are recorded at cost less accumulated amortisation and accumulated impairment losses. Identified intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated lives are reviewed at least annually and are adjusted as appropriate. The estimated useful lives for the current and comparative years are as follows:

Acquired technology platform	20 years
Patents	20 ~25 years
Software	12 months

Goodwill
Under the acquisition method of accounting the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units ("CGU")”), or a group of CGUs, that are expected to benefit from the synergies the business combination. A CGU is defined as the smallest identifiable group of assets that generate cash inflows, which are largely independent of the cash inflows from other assets. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measure date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. Cash-generating units to which goodwill have been allocated reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share capital

The Company's ordinary common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, warrants and stock options, net of any tax effects, are recognized as a deduction from equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company from time to time enters into licensing and collaboration agreements. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from licensing arrangements. License fees are recognized as revenue when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has substantially completed and collection is reasonably assured. If there are no substantive performance obligations over the life of the contract, the upfront non-refundable payment is recognized when the underlying performance obligation is satisfied. If substantive performance obligations are satisfied over time or over the life of the contract, payments received are deferred and recognized over the period when the performance obligations are fulfilled. The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive performance obligations changes. Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period. Deferred revenue represent cash received from customers in excess of revenue recognized on uncompleted contracts.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development expenditures have been deferred to date.

Research and development costs includes fees paid to contract research organizations and other vendors who conduct certain research and development activities on behalf of the Company. The amount of expenses recognized in a period related to research arrangements with third parties is based on estimates of work performed using an accrual basis of accounting. These estimates are based on services provided, contractual terms and experience with similar contracts. The Company monitors these factors and adjusted the estimates accordingly.

Employee benefit

<u>Short-term employee benefits</u>

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

<u>Long term employee benefits</u>

A liability is recognized for benefits accruing to employees when it is probable that settlement will be required and it is capable of being measured reliably. Liabilities recognized in respect of employee benefits which are not due to be settled within one year are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. As of October 31, 2016 and 2015, the employee benefit amount represent the retirement allowance payable accrued by TFC.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions
The Company awards shares of the Company's stock or stock options to directors, officers, employees and/or 3rd party goods/service providers and uses the fair-value based method of accounting for share-based compensations for all awards granted. The resulting compensation expense, based on the fair value of the awards granted is charged to profit or loss over the period that the employees unconditionally become entitled to the award or when goods/services are rendered, with a corresponding increase to contributed surplus. Any consideration received on exercise of stock options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

The Board of Directors grants stock options with vesting periods determined at the sole discretion of the Board and at prices reflecting the share price on the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of employee stock options granted is measured using the Black-Scholes option pricing model as of the grant date, taking into account the terms and conditions upon which the options are granted. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The compensation expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government assistance and research & development tax credits
Government assistance and research and development tax credits are recorded as either a reduction of the cost of the applicable assets, or credited against the related expense incurred in profit or loss, as determined by the terms and condition s of the agreements under which the assistance is provided to the Company or the nature of the expenditures which give rise to the credits.

Government assistance are recorded at their fair value where there is a reasonable assurance that the grants will be received and the Company will comply with all attached conditions. Research and development tax credits are accrued when qualifying expenditures are made and there is reasonable assurance that the credits will be realized.

Income Taxes
The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, nor is it recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Other comprehensive income (loss)
Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income (loss) such as unrealized gains or losses on available-for-sale investments and translation gains or losses on translation of foreign operations to the presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to ordinary common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for treasury shares. Diluted earnings (loss) per share is calculated using the treasury stock method.

Under the treasury stock method the dilution is computed based upon the number of common shares issued should "in the money" options or warrants, if any, be exercised. When the effects of outstandingly stock-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. As at October 31, 2016 and 2015, stock options and warrants were not included in the computation of loss per share as they are out of the money and such inclusion would be anti-dilutive.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

<u>Evaluation of the Company's ability to continue as a going concern</u>

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

<u>Determination of functional currency of the Company</u>

The functional currency for each of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The determination of each entity's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the management to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency, the management analyzed both the primary and secondary factors, including the currency of each entity's operating cash flow, and sources of financing.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical accounting judgments (continued)

Capitalization of development costs

Management applies judgement in evaluating whether or not development costs incurred by the Company in the internal development of intangible assets meet the criteria for capitalizing. Management determined that as at October 31, 2016, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all internal development costs incurred to date have been expensed.

Key sources of estimation uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of non-financial assets

Determining the amount of asset impairment requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In assessing fair value less costs to sell, the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date is estimated. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company' long term assets such as plant and equipment or investment in joint venture. For example, the revenue growth rate could be lower than projected due to economic, industry or competitive factors, or the discount rate used in the value in use model could increase due to a change in market interest rates. In addition, future goodwill impairment charges may be necessary if the market capitalization decreased due to a decline in the trading price of the Company's common stock, which could negatively impact the fair value of the Company's non-financial assets.

Convertible debentures

The calculation of the fair value of the debt component of the convertible debenture requires using an interest rate that the Company would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 14% being the reasonable interest rate a comparable company in technology sector would likely pay in obtaining loans. Changes to these estimates may affect the carrying value of convertible debentures and the equity portion of convertible debentures.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

<u>Long-term employee benefits</u>

The present value of long-term employee benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related employee benefits. Determination of the benefit costs requires assumptions such as the discount rate to measure employee benefits obligations, the projected age of employees upon retirement, the probability of survival, the probability of employee turnover, and the amount of the employees' last month salary prior to retirement. Actual results may differ from results which are estimated based on assumptions.

<u>Depreciation and amortization</u>

Property and equipment are depreciated based on the estimated useful life less their estimated residual value. Intangible assets are amortized based on estimated useful life less their estimated residual value. Significant assumptions are involved in the determination of useful life and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions. Actual useful life and residual values may vary depending on a number of factors including internal technical evaluation, physical condition of the assets and experience with similar assets. Changes to these estimates may affect the carrying value of equipment, net income (loss) and comprehensive income (loss) in future periods.

<u>Share-based payments</u>

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility and expected life of options. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

<u>Current and deferred taxes</u>

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, all tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred tax assets and liabilities and results of operations.

(Expressed in Canadian dollars)

5. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the financial statements of these new standards:

IFRS 9 Financial instruments
On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting ore closely with risk management. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

IFRS 15 Revenue from contracts with customers
On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

IFRS 16 Leases
On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

6. TRADE AND OTHER RECEIVABLES

	October 31, 2016	October 31, 2015
Trade receivables	$ 30,612	$ 7,597
Other receivables	-	576
Government grant receivables	-	207,705
	$ 30,612	$ 215,878

As of October 31, 2016, there were no trade and other receivables past due, all amounts included in trade and other receivables were due to timing-related matters and expected to be collected within one year and the Company did not hold any collateral for amounts due.

(Expressed in Canadian dollars)

7. TAX RECEIVABLES

	October 31, 2016	October 31, 2015
R&D tax credit	$ 193,341	$ 197,831
VAT and other tax receivables	61,345	66,726
GST/HST receivables	6,975	11,477
	$ 261,661	$ 276,034

Tax receivables are mainly related to R&D tax credit and value added taxes (“VAT”). The Company expects full recovery of R&D tax credit, VAT and other tax receivables and GST/HST receivables based on the past receipt history and consequently has not recorded any allowance against these receivables. As of October 31, 2016, there were no tax receivables past due, all amounts included in tax receivables were due to timing-related matters and expected to be collected within one year and the Company did not hold any collateral for amounts due.

8. PREPAID EXPENSES AND DEPOSITS

	October 31, 2016	October 31, 2015
Prepaid expenses	$ 102,357	$ 376,410
Rental deposits	9,932	9,826
	$ 112,289	$ 386,236

(Expressed in Canadian dollars)

9. PROPERTY AND EQUIPMENT

Cost	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
November 1, 2014	$ 101,426	$ 47,761	$ 6,754	$ -	$ 12,333	$ 168,274
Additions	9,562	2,400	-	-	1,739	13,701
Disposals	-	(2,067)	-	-	-	(2,067)
Exchange difference	2,514	1,026	-	-	318	3,858
October 31, 2015	113,502	49,120	6,754	-	14,390	183,766
Additions	6,570	17,657	-	257,495	1,236	282,958
Disposals	-	(39,974)	-	-	-	(39,974)
Exchange difference	1,927	824	-	(385)	243	2,609
October 31, 2016	$ 121,999	$ 27,627	$ 6,754	$ 257,110	$ 15,869	$ 429,359

Accumulated Amortization	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
November 1, 2014	$ 87,234	$ 31,617	$ 6,754	$ -	$ 9,541	$ 135,146
Additions	11,753	5,226	-	-	712	17,691
Disposals	-	(1,464)	-	-	-	(1,464)
Exchange difference	2,243	742	-	-	230	3,215
October 31, 2015	101,230	36,121	6,754	-	10,483	154,588
Additions	10,029	6,167	-	14,816	1,109	32,121
Disposals	-	(37,911)	-	-	-	(37,911)
Exchange difference	1,711	617	-	(23)	178	2,483
October 31, 2016	$ 112,970	$ 4,994	$ 6,754	$ 14,793	$ 11,770	$ 151,281

Net book value	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
October 31, 2015	$ 12,272	$ 12,999	$ -	$ -	$ 3,907	$ 29,178
October 31, 2016	$ 9,029	$ 22,633	$ -	$ 242,317	$ 4,099	$ 278,078

(Expressed in Canadian dollars)

10. INTANGIBLE ASSETS

Cost		Acquired intangible assets		Patents		Software		Total
November 1, 2014 (Restated Note 2)	$	1,590,829	$	221,599	$	-	$	1,812,428
Additions		-		104,891		-		104,891
Exchange difference		35,922		7,441		-		43,363
October 31, 2015 (Restated Note 2)	$	1,626,751	$	333,931	$	-	$	1,960,682
Additions		-		102,434		8,135		110,569
Exchange difference		27,702		5,533		(12)		33,223
October 31, 2016	$	1,654,453	$	441,898	$	8,123	$	2,104,474

Accumulated Amortization		Acquired intangible assets		Patents		Software		Total
November 1, 2014 (Restated Note 2)	$	299,038	$	6,235	$	-	$	305,273
Additions		79,329		17,524		-		96,853
Exchange difference		8,595		(1,538)		-		7,057
October 31, 2015 (Restated Note 2)	$	386,962	$	22,221	$	-	$	409,183
Additions		82,678		27,970		5,775		116,423
Exchange difference		6,466		5,419		(8)		11,877
October 31, 2016	$	476,106	$	55,610	$	5,767	$	537,483

Net book value		Acquired intangible assets		Patents		Software		Total
October 31, 2015 (Restated Note 2)	$	1,239,789	$	311,710	$	-	$	1,551,499
October 31, 2016	$	1,178,347	$	386,288	$	2,356	$	1,566,991

Acquired technology platform consist of intellectual properties and a proprietary carbohydrate chemistry platform utilized for developing and identifying lead compounds that were recognized from the business acquisition of TFC in 2011. As at October 31, 2016 and 2015, no impairment was recognized for intangible assets.

11.GOODWILL

Goodwill was recognized as a result of the acquisition of TFC in 2011. As at October 31, 2015 and 2014, the Company assessed the impairment of goodwill. The Company and its subsidiary, TFC, operates in one operating segment, which constitutes a single cash-generating unit. The recoverable amount of the CGU was determined based on a value in use calculation using a discounted cash flow model with cash flow projections over a five-year period.

The calculation of value in use are most sensitive to the following key assumptions: 1) cash inflows from milestone payments and future royalty payments based on estimated probability of success of its various phases of clinical trials; 2) cash outflow relating to estimated operating costs based on historical expenses; 3) discount rate based on the weighted average cost of capital ("WACC"); and 4) terminal value assumptions. The Company's value in use test was based on a WACC ranging from 31.2% to 45.8%; estimated probability of success of various phases of clinical trials ranging from 16.8% to 100.0%; and a terminal year earnings before interest, taxes, depreciation and amortization utilized by a terminal value of multiplier ranging from 2.28 to 3.43. Based on the result of the value in use test, the Company has determined that the recoverable amount of the CGU exceeded its carrying amount. No impairment loss was recorded in 2016.

(Expressed in Canadian dollars)

12.TRADE AND OTHER PAYABLES

	October 31, 2016	October 31, 2015
Trade payables	$ 189,254	$ 166,234
Interest payable	21,325	45,258
Accrued liabilities	117,126	18,182
Payroll liabilities	126,608	161,462
	$ 454,313	$ 391,136

13.CONVERTIBLE DEBENTURES

During the year ended October 31, 2014, the Company issued convertible debentures (the "Debentures") for a total gross proceed of $670,000. These debentures are unsecured, bear an annual interest rate of 12% with interest due on every quarter, mature in 18 months from the issuance date, and are convertible at the holders' option into shares of the Company at $0.12 per share. There were no finder's fees paid or bonus warrants issued in relation to the issuance of the debentures.

The Company initially recorded $664,283 related to fair value the debt component of the debentures using a market interest rate for comparable companies of 14% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $5,717 was assigned to the equity conversion component an included in the shareholders' equity. The Company amortizes the debt component of the debentures using the effective interest rate of 13% over the term of the debentures. For the year ended October 31, 2016, $34,673 (2015: $84,980) interest expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2016, these debentures were converted in full into the Company's shares upon maturity and a total of 5,583,333 shares were issued upon conversion. The equity component of the debentures of $5,717 together with the fully accreted debt component were reclassified into share capital of the Company upon the conversion.

14.LONG-TERM DEBT

During the year ended October 31, 2015, TFC entered into two loan agreements with Bpifrance Financement ("BPI") for a total amount of $1,213,464 (€840,000). The loans were provided to TFC as a regional innovation fund to assist with TFC's research project and the loans are non-interest bearing with fixed repayment terms commencing September 30, 2018, if the research project is successful. In addition to the repayment, commencing April 1, 2018, an amount equal to 23.42% of the revenue generated in the previous year by the research project has to be repaid to BPI annually until the loan have been repaid in full. On November 31, 2014, the Company received the first change of the loan totalling $712,000 (€504,000).

15.LEASE OBLIGATION

On June 6, 2016, TFC entered into a lease agreement with NATIXIS Lease to lease a scientific instrument. The lease agreement bears interests of 2.7% annually, and expires in seven years on May 6, 2023, with monthly lease payment of $3,327 (€2,265). Management has assessed that the lease is a finance lease. The lease is guaranteed by BPI.

(Expressed in Canadian dollars)

15.LEASE OBLIGATION (continued)

Minimum payments under the finance leases at December 31, 2016, are as follows:

2017	$ 39,928
2018	39,928
2019	39,928
2020	39,928
2021	39,928
Thereafter	63,219
	262,859
Less: amount representing interest	20,138
Principal	$ 242,721

16. LICENSING AGREEEMENTS

Agreement with Wanbang Biopharmaceuticals ("Wanbang")
On January 23, 2014, the Company entered into a licensing and co-development agreement with Wanbang, pursuant to which the Company grants an exclusive, non-sublicensable, non-transferrable license of its IP rights to use the licensed information to conduct clinical research, development, registration, promotion, manufacturing and distribution and sales of anti-diabetic SGLT2 inhibitor in the People's Republic of China excluding Hongkong and Macau. In consideration for the license grant, Wanbang agrees to make upfront, milestone and royalty payments as below:

i. US$200,000 upon the signing of this agreement (paid in F2014 and recorded as revenue);
ii. US$300,000 upon successful completion of the first line test (paid in F2016 and recorded as revenue);
iii. US$500,000 upon successful filing of IND application under CFDA;
iv. US$500,000 upon receipt of CTA by CFDA for a Phase I study in the territory;
v. US$1,500,000 upon receipt of CTA by CFDA for a Phase III study;
vi. US$2,500,000 upon successful completion of a first Phase III study;
vii. US$4,000,000 upon NDA approval by CFDA in the territory; and
viii. Running royalties of 5% on product net sales during the royalty period.

Agreement with Obagi Medical Products ("Obagi)
On January 14, 2014, the Company entered into a licensing agreement, pursuant to which the Company grants an exclusive, worldwide license to Obagi for the commercialization of skin lightening compound TFC-849 in the skin condition field. In exchange for the license grant, Obagi agrees to make following two royalty pre-payments and royalties of 4.5% based on net sales of products:

i) Upfront royalty pre-payment: US$50,000 within 10 days of execution of this agreement; which has been paid (actual receipt of $54,500 was recorded as deferred revenue as of October 31, 2016 and 2015).
ii) Success criteria milestones: US$50,000 upon the earlier of 1) first achievement by a Development Product of Obagi's success criteria which includes i) suitable incorporation of Compound into a reasonably cosmetically elegant formulation upon application of reasonable efforts by Obagi or its contractors; ii) successful completion of compatibility and/or stability testing of such licensed product; and iii) successful efficacy testing of such Licensed Product, and 2)the first commercial sale of license product. (Not yet received as of October 31, 2016)

These pre-paid royalty amount will be deducted from the initial running royalty payments based on net sales of development product.

17. EMPLOYEE BENEFITS

As of October 31, 2016 and 2015, the employee benefit amount represent the retirement allowance payable accrued by TFC. The obligation of TFC is limited to legal obligations applicable in France. For each employee, a calculation is made based on future benefits they have earned during their service in the current and prior years. The benefit is discounted to determine its present value. The calculation is made annually using the projected benefit method using following assumptions:

- Discount rate: 1.07%
- Increase in salaries: 1.50%
- Turnover: 2.70%

18. SHARE CAPITAL

Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued: As of October 31, 2016, 165,097,548 (2015: 151,402,715) common shares were issued and outstanding.

On May 11, 2016, the Company completed a private placement for total gross proceeds of $829,500. The private placement consists of 4,147,500 units at $0.2 per unit. Each unit consists of one common share of the Company and one-half of one transferable share purchase warrant. Each warrant is exercisable into an additional common share of the Company for a period of two years at a price of $0.3 per warrant. As finders' fee, the Company paid $24,000 in cash.

During the year ended October 31, 2016, 3,584,000 (2015: 1,598,000) shares were issued for the exercise of options, 380,000 (2015: 21,105,620) shares were issued for the exercise of warrants, and 5,583,333 (2015: nil) shares were issued for conversion of loan balances. Amount of $114,250 proceeds from exercise of options was received subsequent to the yearend.

During the year ended October 31, 2015, the Company issued total 750,000 common shares to a business consultant of the Company in exchanged for consulting services with the assessed fair value of $97,500.

During the year ended October 31, 2015, 93,750 bonus shares were issued to the CEO and a director of the Company, 78,125 bonus shares were issued to CFO, and 31,250 bonus shares were issued to officers of the Company.

(Expressed in Canadian dollars)

18.SHARE CAPITAL (continued)

Warrants

A summary of warrant activities for the years are as follows:

	Number of Warrants		Weighted average exercise price	Weighted average remaining contractual life (year)
Balance at November 1, 2014	49,899,444	$	0.17	0.96
Warrants granted exercisable on or before June 20, 2015	120,000		0.10	-
Warrants exercised	(700,000)		0.10	-
Warrants exercised	(12,530,200)		0.15	-
Warrants exercised	(6,450,420)		0.16	-
Warrants exercised	(1,425,000)		0.20	-
Warrants expired	(19,667,854)		0.17	-
Balance at October 31, 2015	9,245,970	$	0.20	1.35
Warrants granted exercisable on or before May 11, 2018	2,073,750		0.30	1.53
Warrants exercised	(380,000)		0.20	-
Balance at October 31, 2016	10,939,720	$	0.22	0.57

At October 31, 2016, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price	Number of Warrants as at October 31, 2016
March 6, 2017	$	0.20	8,865,970
May 11, 2018	$	0.30	2,073,750
			10,939,720

(Expressed in Canadian dollars)

18.SHARE CAPITAL (continued)

Stock options

At October 31, 2016, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2015	Granted During the Year	Exercised During the Year	Expired/ Cancelled During the Year	Number of Options as at October 31, 2016	Number of Options Exercisable as at October 31, 2016
November 12, 2015	$0.10	777,000	-	(777,000)	-	-	-
July 15, 2016	$0.20	500,000	-	(500,000)	-	-	- *
November 3, 2016	$0.15	815,000	-	(400,000)	(15,000)	400,000	400,000
January 16, 2017	$0.15	500,000	-	(500,000)	-	-	-
March 10, 2017	$0.20	500,000	-	-	-	500,000	500,000
April 15, 2017	$0.16	400,000	-	-	-	400,000	400,000
June 26, 2017	$0.16	600,000	-	-	-	600,000	600,000
September 1, 2017	$0.165	450,000	-	(450,000)	-	-	-
October 13, 2017	$0.18	200,000	-	-	-	200,000	200,000
November 25, 2017	$0.19	-	1,200,000	-	-	1,200,000	1,200,000
December 17, 2017	$0.10	100,000	-	(50,000)	-	50,000	50,000
April 11, 2018	$0.195	-	50,000	-	-	50,000	50,000
June 25, 2018	$0.15	700,000	-	-	-	700,000	700,000
August 9, 2018	$0.11	182,000	-	(182,000)	-	-	-
August 25, 2018	$0.16	100,000	-	-	-	100,000	100,000
September 21, 2018	$0.20	-	700,000	(200,000)	-	500,000	500,000
November 22, 2018	$0.15	1,100,000	-	-	-	1,100,000	1,100,000
February 19, 2019	$0.15	300,000	-	-	-	300,000	300,000
April 2, 2019	$0.10	800,000	-	-	-	800,000	800,000
April 25, 2019	$0.11	750,000	-	-	-	750,000	750,000
October 21, 2019	$0.15	225,000	-	(225,000)	-	-	-
February 25, 2020	$0.15	1,500,000	-	-	(200,000)	1,300,000	1,300,000
June 21, 2021	$0.20	-	400,000	-	-	400,000	400,000
June 26, 2025	$0.16	3,600,000	-	(300,000)	-	3,300,000	3,300,000
September 21, 2026	$0.20	-	900,000	-	-	900,000	900,000
		14,099,000	3,250,000	(3,584,000)	(215,000)	13,550,000	13,550,000

* Management granted the extension of the options and the options were exercised in September 2016

(Expressed in Canadian dollars)

18. SHARE CAPITAL (continued)

Stock options (continued)

At October 31, 2015, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2014	Granted During the Year	Exercised During the Year	Expired/ Cancelled	Number of Options as at October 31, 2015	Number of Options Exercisable as at October 31, 2015
February 1, 2015	$0.12	150,000	-	(150,000)	-	-	-
June 9, 2015	$0.10	130,000	-	(20,000)	(110,000)	-	-
November 12, 2015	$0.10	1,000,000	-	(223,000)	-	777,000	777,000
November 18, 2015	$0.13	150,000	-	(150,000)	-	-	-
July 15, 2016	$0.15	500,000	-	(500,000)	-	-	-
July 15, 2016	$0.20	500,000	-	-	-	500,000	500,000
November 1, 2016	$0.15	-	255,000	(255,000)	-	-	-
November 3, 2016	$0.15	870,000	-	-	(55,000)	815,000	815,000
January 16, 2017	$0.15	-	500,000	-	-	500,000	500,000
February 23, 2017	$0.15	-	300,000	(300,000)	-	-	-
March 10, 2017	$0.20	500,000	-	-	-	500,000	500,000
April 15, 2017	$0.16	400,000	-	-	-	400,000	400,000
June 26, 2017	$0.16	-	600,000	-	-	600,000	600,000
September 1, 2017	$0.165	-	450,000	-	-	450,000	450,000
October 13, 2017	$0.18	-	200,000	-	-	200,000	200,000
October 16, 2017	$0.10	400,000	-	-	(400,000)	-	-
December 17, 2017	$0.10	100,000	-	-	-	100,000	100,000
June 25, 2018	$0.15	700,000	-	-	-	700,000	700,000
August 9, 2018	$0.11	182,000	-	-	-	182,000	182,000
August 25, 2018	$0.16	-	100,000	-	-	100,000	100,000
November 22, 2018	$0.15	1,400,000	-	-	(300,000)	1,100,000	1,100,000
February 19, 2019	$0.15	300,000	-	-	-	300,000	300,000
April 2, 2019	$0.10	800,000	-	-	-	800,000	800,000
April 25, 2019	$0.11	750,000	-	-	-	750,000	750,000
October 21, 2019	$0.15	225,000	-	-	-	225,000	225,000
February 25, 2020	$0.15	-	1,500,000	-	-	1,500,000	1,500,000
June 26, 2025	$0.16	-	3,600,000	-	-	3,600,000	3,600,000
		9,057,000	7,505,000	(1,598,000)	(865,000)	14,099,000	14,099,000

The weighted average contractual life remaining of all stock options as at October 31, 2016 is 4.2 years (2015: 2.94 years). During the year ended October 31, 2016, 3,250,000 stock options were granted with a weighted average exercise price of $0.2. The granted stock options have a weighted fair value of $0.09 per share and 400,000 options' exercise price is greater than the market price at the date of grant and 2,800,000 options' exercise price is equal to the market price at the date of grant and 50,000 options' exercise price is lower than the market price at the date of grant.

(Expressed in Canadian dollars)

18.SHARE CAPITAL (continued)

Stock options (continued)

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

	2016	**2015**
Risk-free interest rate	0.56% to 0.71%	0.36% to 1.04%
Dividend yield	0%	0%
Volatility	66% to 110%	70% to 110%
Expected life	2 to 10 years	1 to 2.5 years

For the year ended October 31, 2016, share-based compensation in the amount of $276,780 (2015 - $551,201) was recognized in the Company's consolidated statements of loss and comprehensive loss.

The Company's stock option plan is administered by the board of directors in accordance with Exchange requirements summarized below.

(i) maximum available for grant is up to 10% of the Company's issued shares outstanding at any one time;
(ii) grant price and exercise price may not be less than the discounted market price of the shares at the time of grant, as permitted by Exchange policy;
(iii) non-transferable, vesting schedule subject to Board discretion when granted and exercisable up to 10 years from grant date;
(iv) eligibility includes employees, directors, officers and consultants of the Company subject to a 5% limitation on options granted annually to any one individual director or officer and 2% to any one consultant;
(v) exercisable up to 90 days following cessation of the optionee's position with the Company. If the cessation of office, directorship or consulting arrangement was due to death, the option may be exercised within a maximum period of one year after death, subject to expiry date of such option.

Escrow Shares

As at October 31, 2016, there were 975,000 common shares (2015 – 2,925,000) held in escrow subject to Section 11(5) of Exchange Policy 2.4. The 975,000 escrow shares is scheduled to be released in six months from October 31, 2016.

(Expressed in Canadian dollars)

19. RELATED PARTY TRANSACTIONS

Related party transactions impacting the consolidated financial statements primarily relate to transactions with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the years ended October 31, 2016 and 2015, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2016 **$**	**2015** **$**
Management fees/bonus (a)	204,000	228,156
Director fees (b)	9,500	6,500
Advisory fees (c)	204,701	193,364
Accounting fees (d)	132,000	121,625
Share-based payments (e)	237,057	498,058
Total	787,258	1,047,703

(a) For the year ended October 31, 2016, amount of $144,000 (2015: $128,625) management fee was paid/incurred to Howard Verrico, for acting as CEO, secretary and director.

For the year ended October 31, 2016, amount of $25,000 (2015: $27,500) bonus was paid to the CFO, an amount of $30,000 (2015: $30,000) bonus was paid to the CEO and a director of the Company, and an amount of $5,000 (2015: $7,500) bonus was paid to an officer of the Company.

For the year ended October 31, 2016, nil (2015: 93,750) bonus shares were issued to the CEO and a director of the Company, nil (2015: 78,125) bonus shares were issued to CFO, and nil (2015: 31,250) bonus shares were issued to officers of the Company. For the year ended October 31, 2015, the fair value of the bonus shares issued is $0.17 per share with total amount of $34,531 which was included in management fee.

(b) For the year ended October 31, 2016, amount of $9,500 (2015: $6,500) director fee was paid/incurred to three directors for acting as directors.

(c) For the year ended October 31, 2016, amount of $204,701 (2015: $193,364) advisory fee was paid/incurred to Geraldine Deliencourt-Godefroy, for services provided.

(d) For the year ended October 31, 2016, amount of $132,000 (2015: $121,625) accounting fee was paid/incurred to Christopher Hopton, for acting as CFO.

(e) For the year ended October 31, 2016, 2,500,000 (2015: 5,700,000) stock options were granted to management and directors and amount of $237,057 (2015: $498,058) share-based payments was recorded.

These related party transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian dollars)

20. INCOME TAXES

The Company and its subsidiary are subject to income tax laws in their respective tax jurisdictions, which are the same as their respective place of incorporation, being Canada and France, respectively.

TFC is subject to income tax at 33.33% (2015: 33.33%) and Sirona is subject to income tax at 26% (2015: 26%).

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended October 31, 2016 and 2015:

	2016	2015 (Restated Note 2)
Loss before income taxes	$ 2,974,767	$ 3,659,898
Statutory tax rate	26%	26%
Income tax recovery	773,439	951,573
Non-deductible items for tax purposes	(167,522)	(580,386)
Changes in estimates	73,469	1,298
Tax rates difference	(60,542)	79,253
Foreign exchange difference	44,903	(8,218)
Share issuance costs and others	1,710	-
Change in deferred tax asset not recognized	(665,457)	(443,520)
Total deferred tax (expense) recovery	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at October 31, 2016, and 2015 are comprised of the following:

	October 31, 2016	October 31, 2015 (Restated Note 2)
Tax loss carry-forwards	$ 473,069	$ 488,326
Intangible assets	(473,069)	(488,196)
Others	-	(130)
Net deferred tax asset (liability)	$ -	$ -

The unrecognized deductible temporary differences are as follows:

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

	October 31, 2016	October 31, 2015 (Restated Note 2)
Tax loss carry-forwards - Canada	$ 14,734,000	$ 12,352,792
Tax loss carry-forwards – France	1,138,800	1,681,726
Capital loss – Canada	600,389	-
Fixed assets	2,573	2,573
Intangible assets – Canada	221,516	-
Financing costs	51,222	78,366
Employee benefits	84,428	69,932
Others	405	-
Unrecognized deductible temporary differences	$ 16,833,333	$ 14,185,389

As at October 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of approximately $14,734,000 (2015: $12,352,792) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in 2026 to 2036. The Company has not recognized a deferred tax asset in respect of capital losses of $600,389 (2015 $nil) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes:

2026	$	113,000
2027		121,000
2028		788,000
2029		439,000
2030		1,071,000
2031		1,850,000
2032		2,259,000
2033		1,980,000
2034		2,181,000
2035		1,613,000
2036		2,319,000
	$	14,734,000

As at October 31, 2016, the Company has not recognized a deferred tax asset in respect of net operating losses in of approximately $1,138,800 (2015: $1,681,726) which may be carried forward to apply against future year income tax for French income tax purposes, subject to the final determination by taxation authorities. To the extent that TFC continues the same business activities, the tax losses can reasonably be carried forward indefinitely.

21.COMMITMENTS

On June 1, 2013, the Company commenced a lease assignment agreement with Impex Management Ltd., a non-related party, whereby the Company entered five-year lease for a monthly fee of $4,913, which expires on May 31, 2018.

2017	$	58,958
2018		34,392
Total	$	93,350

21. COMMITMENTS (continued)

On April 1, 2015, the Company entered into an indefinite management service agreement with Christopher Hopton, whereby Christopher Hopton will receive $11,000 (plus GST) per month until the agreement is terminated by either party.

On April 1, 2015, the Company entered into an indefinite management service agreement with Howard Verrico, whereby Howard Verrico will receive $12,000 (plus GST) per month until the agreement is terminated by either party.

Also see Note 19.

22. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

Financial Instruments classification and fair value

Cash and cash equivalents are measured at fair value. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash and cash equivalents are classified as Level 1.

The fair value of cash and cash equivalents, trade and other receivables, share subscription receivable and trade and other payable approximate their carrying values due to the short-term nature of these instruments. The fair value of convertible debentures, lease obligation, and long term debt are determined by discounting future payments of loan principals and interests under the loans at prevailing market interest rates at each reporting date. The difference between the fair value and carrying amount is minimal.

Risk management

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash and cash equivalents. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

(i) Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through using a major financial institution which has high credit quality as determined by the rating agencies. Management believes that the Company is subject to minimal credit risk.

(Expressed in Canadian dollars)

22. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT (continued)

Risk management (continued)

(ii) Since the Company's functional currency is the Canadian dollar, it has a foreign exchange risk regarding its Euro obligations since it has a subsidiary in France. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% strengthening in the Canadian dollar against Euro would have a before-tax effect of $14,701 increase in accumulated other comprehensive income, based on amounts held at the year end.

(iii) The Company's exposure to interest rate risk relates to its ability to earn short term interest on cash balances at variable rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company has no floating interest loan. Management does not believe that the impact of interest rate fluctuation will be significant.

(iv) Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as relatively low. The following table summarizes the significant remaining contracted payments of the Company's financial liabilities and capital expenditures as at October 31, 2016.

		Due by period				
	Total	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	$	$	$	$	$	$
Trade and other payables	454,313	454,313	-	-	-	-
Lease obligation	242,721	33,789	34,713	35,662	36,637	101,920
Long-term debt	725,911	-	-	215,525	259,601	250,785
	1,422,945	488,102	34,713	251,187	296,238	352,705

Capital management

Capital is comprised of the Company's shareholders' equity and long-term debt. As at October 31, 2016, this amounted to $2,289,085 (2015 (Restated Note 2) - $2,874,340). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the technology research. Therefore, the Company monitors the level of risk incurred in its technology research relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors. The Company's objectives when managing capital are to safeguard its ability to continue with its technology research through TFC and to continue as a going concern.

The Company is meeting these objectives primarily through its on-going cash management procedures which include monthly comparison of actual results against budget and periodic forecasting of cash flow requirements.

(Expressed in Canadian dollars)

23.GEOGRAPHIC SEGMENT AND ECONOMIC DEPENDENCE

The Company is located and operated in Canada and France. The Company's suppliers are well diversified and no one supplier accounted for more than 10% of total sales, due to its business nature.

The Company's net loss by geographic locations for the years ended October 31, 2016 and 2015 are as follows:

Net loss	**Year ended October 31, 2016**	**Year ended October 31, 2015 (Restated Note 2)**
	$	**$**
Canada	1,497,780	2,089,239
France	1,476,987	1,570,659
Total	2,974,767	3,659,898

The Company's total assets by geographic locations are as follows:

Total Assets	**October 31, 2016**	**October 31, 2015 (Restated Note2)**
	$	**$**
Canada	727,954	1,885,269
France	2,397,093	2,262,191
Total	3,125,047	4,147,460

24.SUBSEQUENT EVENTS

On February 3, 2017, the Company has closed a non-brokered private placement of convertible notes ("Note") for gross proceeds of $665,360. Each Note will be convertible at the option of the holder into one common share of the Company at a conversion price of $0.18 per share during the 18 month term of the Notes. The Notes will mature in 18 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes are converted or repaid. The Company will be entitled to repay the principal amount of the Notes, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

Subsequent to the yearend, 70,000 options were exercised for $0.15 per share and 30,000 options were exercised for $0.19 per share.