

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED APRIL 30, 2016

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at	As at
	April 30, 2016	October 31, 2015
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	818,704	1,543,105
Trade and other receivables (Note 5)	397,126	215,878
Tax receivables (Note 6)	402,013	276,034
Prepaid expenses and deposits	211,839	386,236
	1,829,682	2,421,253
Property and equipment (Note 7)	39,783	29,178
Goodwill and intangible assets (Note 8)	2,291,044	2,295,753
	4,160,509	4,746,184
LIABILITIES		
Current Liabilities		
Trade and other payables	316,612	391,136
Current portion of long-term loan (Note 9)	-	669,001
Deferred revenue (Note 10)	152,106	143,051
	468,718	1,203,188
Deferred tax liability	376,424	396,856
Long-term loan (Note 9)	723,542	728,078
Employee benefit	95,848	69,932
	1,664,532	2,398,054
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	17,686,715	16,692,255
Shares to be issued (Note 12)	380,000	-
Share option and warrants reserve	3,486,349	3,533,044
Translation reserve	51,208	68,822
Deficit accumulated during development stage	(19,108,295)	(17,945,991)
	2,495,977	2,348,130
	4,160,509	4,746,184

APPROVED ON BEHALF OF THE BOARD:

"Howard Verrico" Director
Howard Verrico

"Casper Bych" Director
Casper Bych

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three Months Ended April 30, 2016	Three Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015
Revenue	\$ 393,601	\$ -	\$ 396,187	\$ -
Expenses				
Accounting and audit fees	111,611	106,535	155,151	142,908
Consulting fees	118,966	90,308	217,968	292,201
Filing fees and transfer agent fees	12,718	13,369	14,698	16,336
Investor relations	15,040	11,607	29,620	26,096
Legal fees	7,725	4,591	17,391	8,292
Management fees	37,500	76,174	73,500	130,963
Management conferences and meetings	-	14,734	7,328	18,397
Office and administration	78,413	(108,200)	156,496	190,623
Research expenses	324,818	392,190	673,834	714,968
Share-based payments	2,870	157,165	65,195	157,165
Travel and entertainment	14,557	41,675	41,429	54,790
Wages, salaries and benefits	56,758	83,879	100,744	136,392
Exchange gain/loss	113	13,585	113	13,825
	(387,488)	(897,612)	(1,157,280)	(1,902,956)
Other income/(expenses)				
Other revenue	771	-	761	-
Finance income	275	-	392	1,162
Finance expense	(1,101)	(23,152)	(25,427)	(23,688)
	(55)	(23,152)	(24,274)	(22,526)
Loss before income taxes	(387,543)	(920,764)	(1,181,554)	(1,925,482)
Income taxes recovery (expense)	9,514	7,475	19,250	81,533
Net loss for the period	(378,029)	(913,289)	(1,162,304)	(1,843,949)
Other comprehensive income (loss) for the period				
Currency translation	(98,968)	(124,328)	(17,613)	(253,183)
Comprehensive loss for the period	\$ (476,997)	\$ (1,037,617)	\$ (1,179,917)	\$ (2,097,132)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	158,454,048	135,333,015	155,984,096	132,022,804

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED APRIL 30,
(Expressed in Canadian Dollars)

	2016	2015
Operating Activities		
Net loss for the period	\$ (1,162,304)	\$ (1,843,949)
Items not requiring use of cash:		
Amortization of equipment and intangible assets	96,334	25,216
Consulting fee		
Interest accretion	3,869	2,278
Share-based payments	62,325	299,809
Changes in operating assets and liabilities:		
Trade and other receivable	(339,933)	287,220
Prepaid expenses	174,068	72,268
Accounts payable and accrued liabilities	(50,083)	(155,366)
Due to related parties	-	(398,568)
Employee benefit	27,277	8,355
Deferred revenue	9,055	-
Deferred tax asset (liability)	(19,250)	(2,786)
Unrealized exchange gain/loss	(2,532)	8,183
Cash (used in) operating activities	(1,201,174)	(1,697,340)
Investing Activities		
Purchase of equipment	(22,012)	(686)
Acquisition of intangible assets	(87,186)	-
Cash (used in) investing activities	(109,198)	(686)
Financing Activities		
Shares issuance deposit	380,000	-
Option and warrants exercised	212,570	1,565,091
Borrowings/(repayment)	(35)	709,867
Cash provided by financing activities	592,535	2,274,958
Increase (decrease) in cash and cash equivalents	(717,837)	576,932
Effect of exchange rate fluctuations	(6,564)	(48,856)
Cash and cash equivalents, beginning of period	1,543,105	613,393
Cash and cash equivalents, end of period	\$ 818,704	\$ 1,141,469

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Expressed in Canadian Dollars, except share numbers)

	Issued Common Shares		Shares to be issued	Contributed Surplus	Exchange reserve	(Deficit)	Total Equity (Deficiency)
	Number	Amount					
BALANCE, NOVEMBER 1, 2014	127,745,970	\$ 11,920,445	\$ -	\$ 4,183,075	\$ 86,630	\$ (14,399,849)	\$ 1,790,301
Loss for the period	-	-	-	-	-	(1,843,949)	(1,843,949)
Exercise of options	1,298,000	313,100	-	(77,650)	-	-	235,450
Shares issued for service provided	750,000	97,500	-	-	-	-	97,500
Fair value of options issued	-	-	-	202,308	-	-	202,308
Exercise of warrants	9,456,520	1,757,331	-	(427,690)	-	-	1,329,641
Currency translation	-	-	-	-	(253,183)	-	(253,183)
BALANCE, APRIL 30, 2015	139,250,490	\$ 14,088,376	\$ -	\$ 3,880,043	\$ (166,553)	\$ (16,243,798)	\$ 1,558,068
BALANCE, NOVEMBER 1, 2015	151,402,715	\$ 16,692,255	\$ -	\$ 3,533,044	\$ 68,822	\$ (17,945,991)	\$ 2,348,130
Loss for the period	-	-	-	-	-	(1,162,304)	(1,162,304)
Exercise of options	959,000	227,854	-	(91,284)	-	-	136,570
Fair value of options issued	-	-	-	65,195	-	-	65,195
Exercise of warrants	380,000	96,606	-	(20,606)	-	-	76,000
Loan conversion	5,583,333	670,000	-	-	-	-	670,000
Proceeds from shares to be issued	-	-	380,000	-	-	-	380,000
Currency translation	-	-	-	-	(17,614)	-	(17,614)
BALANCE, APRIL 30, 2016	158,325,048	\$ 17,686,715	\$ 380,000	\$ 3,486,349	\$ 51,208	\$ (19,108,295)	\$ 2,495,977

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

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016

(Expressed in Canadian Dollars)

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. On May 1, 2009 the Company completed its qualifying transaction by entering into a Licensing Agreement with TFChem S.A.R.L. (“TFC”), a biopharmaceutical company based in Rouen, France, and changed its name from High Rider Capital Inc. to Sirona Biochem Corp. On March 31, 2011, the Company completed its business acquisition of TFC (See note 8). 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, with the goal of improving compounds’ efficacy and safety.

The head office, principal address and registered and records office of the Company are located at 605 – 889 West Pender Street, Vancouver, BC, V6C 3B2.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values in these unaudited condensed interim consolidated financial statements which do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at April 30, 2016, the Company had working capital of \$1,360,964 (October 31, 2015 - \$1,218,065); had an accumulated deficit of \$19,108,295 (October 31, 2015 - \$17,945,991); and expects to incur further losses in the development of its business, all of which cast doubt about the Company’s ability to continue as a going concern. Management believes that its existing cash resources, together with funds obtained from share issuances, are adequate for the total amount of planned research program. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations.

2. BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) include the accounts of the Company and its wholly owned subsidiary, TFChem S.A.R.L. Any reference to “the Company” throughout these Interim Financial Statements refers to the Company and its subsidiary. All inter-entity transactions have been eliminated. The results of the operations of the subsidiary acquired during the year are included from the date of acquisition.

The Interim Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), using the accounting policies the Company adopted in its consolidated financial statements as at and for the financial year ended October 31, 2015.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Interim Financial Statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the Interim Financial Statements includes:

i) Amortization of intangible assets and property and equipment

Intangible assets and property and equipment are amortized using the straight-line method over the estimated useful life of the assets. Management reviews the useful lives and residual values of the intangible assets at each reporting date, based on the expected utilization of the assets by the Company. Significant assumptions are involved in the determination of useful life and no assurance can be given that actual useful lives will not differ significantly from current assumptions.

ii) Share-based payments

Share-based payments are valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over the vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

iii) Deferred taxes

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.

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's Interim Financial Statements are as follows:

i) Going concern

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 the issuance of share capital involves judgment. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(cont'd)

ii) Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in used calculation is based on a discounted cash flow model. The cash flows are derived from the budget. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the probability of reaching each milestones.

4. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Basis of Consolidation

The Interim Financial Statements include the accounts of the Company and its wholly owned subsidiary, TFChem S.A.R.L., a biopharmaceutical company based in Rouen, France. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the Interim Financial Statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

b) Cash and Cash Equivalents

Cash is comprised of cash on hand. Cash equivalents are short term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk or change in value. There were no cash equivalents as at April 30, 2016 and October 31, 2015.

c) Deferred Costs

Acquisition costs related to the Research and License Agreement are deferred until such time as the licensed products and the licensed process are placed into commercial production, sold, determined not to be economically viable, or abandoned. These deferred costs are recorded at cost and will be amortized on a straight lined basis over the term of the license following the commencement of production, or written off if the license is sold, allowed to lapse or abandoned.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Research and Development Costs

All research and development costs are expensed when incurred unless they meet specific criteria for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project.

e) Impairment of Long-lived Assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future prices, the cost of bringing the project into production, production schedules, production costs, and sustaining capital expenditures. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses. Management believes there has been no impairment of the Company's non-current assets as at April 30, 2016 and October 31, 2015.

f) Equipment and Amortization

Property, plant and equipment are recorded at cost less accumulated depreciation. Costs include expenditures that are directly attributable to the acquisition of assets. Amortization is based on the costs of the assets less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each asset. Amortization is recorded at the following rates:

Computer equipment	1 to 3 years
Industrial Equipment	1 to 4 years
Office equipment	3 years
Furniture	3 to 5 years

One-half of the amortization amounts are taken in the year of acquisition.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

i) Basic and Diluted Loss per Share

The Company presents basic and diluted earnings/loss per share data from its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Basic and Diluted Loss per Share (cont'd)

As at April 30, 2016, there were 14,390,000 (October 31, 2015: 14,099,000) and 8,865,970 (October 31, 2015: 9,245,970) potentially dilutive common shares relating to stock options and warrants outstanding, respectively, which were not included in the computation of loss per share because of their anti-dilutive effect.

j) Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Board of Directors grants such 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 is measured at the grant date and recognized, together with a corresponding increase in share option and warrants reserve in equity, over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, 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 income statement 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 is 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.

k) 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.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

1) Financial Instruments

All financial instruments are initially measured at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement and changes in fair value will depend on their initial classification as described in the following:

Financial assets

The Company's financial instruments consist of cash and cash equivalents, short term investment, trade and other receivables, share subscription receivable, accounts payable and accrued liabilities, loan payable and due to a related party. Cash and cash equivalents and short term investment are classified as fair value through profit or loss and recorded at fair value. Trade and other receivables and share subscription receivable are classified as loans and receivables and are measured at amortized costs. Accounts payable and accrued liabilities, loan payable and due to a related party are classified as other financial liabilities, which are measured at amortized cost. The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Loans and receivables – these assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

Held-to-maturity investments – these assets 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. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale – non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial Instruments (continued)

Financial assets (cont'd)

Financial assets measured at amortized cost are assessed at the end of each reporting period whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of loss is recognized in profit and loss. The previously recognized impairment loss is reversed in a subsequent period if the amount of impairment loss decreases and the decrease is related to an event occurring after the initial recognition of the impairment loss. However, the reversal will not result in the carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized at the date of impairment reversal. The amount of impairment reversal is recognized in profit and loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of operations.

Other financial liabilities – this category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial liabilities consist of trade and other payables, long-term loan and due to related parties. Trade and other payables, long-term loan and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

m) Foreign currency transaction and translation

The Company's reporting and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The Company maintains its accounting records in Canadian dollars and its functional currency is the Canadian dollar and its subsidiary maintains its accounting record in Euro and its functional currency is the Euro. Accordingly, revenue and expenses denominated in currencies other than the functional currencies are translated into functional currencies at the exchange rate prevailing transaction date, and the resulting foreign exchange gains and losses are recognized in earnings in the period in which they arise.

SIRONA BIOCHEM CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2016
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign currency transaction and translation (cont'd)

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the functional currency spot rate of exchange at the end of the reporting period. All differences are taken into the statement of operations and comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The financial statement of the Company's subsidiary are translated into Canadian dollars at each reporting period. All assets and liabilities are translated into Canadian dollars at the period-end exchange rate and revenues and expenses are translated at the average exchange rate during the period in which they occur. The exchange differences arising on the translation are recognized in translation reserve. On disposal of a foreign operation, the component of translation reserve relating to that particular foreign operation is recognized in the income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

o) Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed at their respective fair values. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. 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") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of operations and comprehensive loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) Intangible assets – technologies and patents

Intangible are recorded at fair market value on the date of acquisition. Intangible assets with finite lives are amortized on a straight line basis over the estimated lives, and estimated lives are reviewed at least annually and are adjusted as appropriate. Amortization is estimated on a straight-line basis. The estimated useful lives for the current and comparative years for patents are 17 to 20 years.

p) Revenue recognition

Product sales are recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the goods; the Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the cost incurred or to be incurred in respect of the sale can be measured reliably.

Service revenue are recognized when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; the transaction's stage of completion at the balance sheet date can be measured reliably; the costs incurred and the costs to complete the transaction can be measured reliably.

Upfront fee from collaborative business arrangement that are non-refundable, require no ongoing involvement of the Company are recognized as income. Upfront fee from collaborative business arrangement that are refundable are deferred and recognized once the refundable period has lapsed.

q) Deferred revenue

Deferred revenue is related to advance payments of unearned revenue. It will be recorded as a liability until the services have been rendered or products have been delivered.

r) Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected life of the related asset.

When the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of operations over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

s) Comparative Figures

Certain prior period comparative figures have been reclassified to conform with the presentation used in the current period.

t) Accounting standards issued but not yet effective

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are all current and is detailed below:

	April 30, 2016	October 31, 2015
Trade receivables	\$ 397,126	\$ 7,597
Other receivables	-	576
Government grant receivables	-	207,705
	<u>\$ 397,126</u>	<u>\$ 345,689</u>

6. TAX RECEIVABLES

Tax receivables as detailed below:

	April 30, 2016	October 31, 2015
R&D tax credit, VAT, and other tax receivables	\$ 385,762	\$ 254,557
GST receivables	16,251	11,477
	<u>\$ 402,013</u>	<u>\$ 276,034</u>

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7. PROPERTY, PLANT AND EQUIPMENT

Cost	Industrial Equipment	Computer Equipment	Office Equipment	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	6,636	14,127	-	1,248	22,011
Disposals	-	(19,700)	-	-	(19,700)
Exchange difference	(933)	(2,798)	(6,754)	(132)	(10,617)
April 30, 2016	\$ 119,205	\$ 40,749	\$ -	\$ 15,506	\$ 175,460

Accumulated Amortization	Industrial Equipment	Computer Equipment	Office Equipment	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	5,121	3,147	-	493	8,761
Disposals	-	(17,619)	-	-	(17,619)
Exchange difference	(803)	(2,415)	(6,754)	(81)	(10,053)
April 30, 2016	\$ 105,548	\$ 19,234	\$ -	\$ 10,895	\$ 135,677

Net book value	Industrial Equipment	Computer Equipment	Office Equipment	Furniture	Total
October 31, 2015	\$ 12,272	\$ 12,999	\$ -	\$ 3,907	\$ 29,178
April 30, 2016	\$ 13,657	\$ 21,515	\$ -	\$ 4,611	\$ 39,783

8. GOODWILL AND INTANGIBLE ASSETS

On March 31, 2011, the Company completed the acquisition all of the issued and outstanding shares of TFC, a biopharmaceutical company based in Rouen, France for a total consideration of 13,000,000 common shares of the Company and €500,000 (CDN \$697,550) cash, for a total purchase price of \$2,087,208. The issuance of 13,000,000 common shares are escrowed and released over a period of six years with immediate release of 10% of the shares on the closing date and the remaining 90% released over six years in 7.5% increments every six months.

The acquisition of TFC effectively settled the previously entered Research and License Agreement between Sirona and TFC. The Company has determined that no gain or loss was recognized on the settlement of the pre-existing relationship.

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8. GOODWILL AND INTANGIBLE ASSETS (cont'd)

The TFC Agreement was accounted for as a business combination under the acquisition method of accounting. The allocation of the purchase price to acquired assets and liabilities is based on fair value assessed for each of the individual acquired assets and liabilities. Goodwill of \$590,362, representing expected synergies arising from the acquisition in relation to economies of scale, is recognised based on the purchase price allocation. None of the goodwill recognised is expected to be deductible for income tax purposes.

The movements of goodwill and intangible assets are as follows:

Cost	Intangible assets	Goodwill	Total
November 1, 2014	\$ 1,867,007	\$ 580,945	\$ 2,447,952
Additions	299,914	-	299,914
Exchange difference	44,038	13,118	57,156
October 31, 2015	2,210,959	594,063	2,805,022
Additions	87,187	-	87,187
Exchange difference	(15,333)	(3,701)	(19,034)
April 30, 2016	\$ 2,282,813	\$ 590,362	\$ 2,873,175

Accumulated Amortization	Intangible assets	Goodwill	Total
November 1, 2014	\$ 305,842	\$ -	\$ 305,842
Additions	192,058	-	192,058
Exchange difference	11,369	-	11,369
October 31, 2015	509,269	-	509,269
Additions	85,491	-	85,491
Exchange difference	(12,629)	-	(12,629)
April 30, 2016	\$ 582,131	\$ -	\$ 582,131

Net book value	Intangible assets	Goodwill	Total
October 31, 2015	\$ 1,701,690	\$ 594,063	\$ 2,295,753
April 30, 2016	\$ 1,700,682	\$ 590,362	\$ 2,291,044

Intangible assets have been recognized through business acquisition of TFC. TFC is in the business of using fluorine atom properties to develop new glycomimetic compounds. TFC developed a proprietary carbohydrate chemistry platform utilized for developing and identifying lead compounds, and these technologies have been estimated to have a 20 years useful life based on the useful life of patents obtained by TFC. Amortization was included in research expenses. As at April 30, 2016 and October 31, 2015, there is no impairment recognized for the intangible assets or goodwill.

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9. LOANS PAYABLES

	April 30, 2016	October 31, 2015
BPI loan ⁽¹⁾	\$ 723,542	\$ -
Convertible debentures ⁽²⁾	-	1,397,079
Total loan payables	723,542	1,397,079
Less: short term portion	-	(669,001)
Long term portion	\$ 723,542	\$ 728,078

⁽¹⁾ During the year ended October 31, 2015, TFC entered into two loan agreements with Bpifrance Financement for the total amount of €840,000. The loans were provided to TFC as a regional innovation fund to assist with the 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 Bpifrance annually until the full loan were repaid. On November 13, 2014, the first phase of the funds totalling to €504,000 (\$723,542) were received.

⁽²⁾ In the year ended October 31, 2014, the Company completed debt financings for total gross proceeds of \$670,000, maturing in 18 months. These debts have annual interest rate of 12% with interest due on every quarter. As additional consideration of the loans, the Company granted the lenders the right to convert the debt 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 debt financing. The Company initially recorded its financial liability based on the fair value of the debt using a market interest rate of 13.8% for a total of \$662,895 with the residual value of \$7,105 being assigned to the equity component. The Company amortizes these loans using the effective interest method over the term of the loan. During the six months ended April 30, 2016, amount of \$670,000 debts have been converted to the Company's shares and 5,583,333 shares have been issued upon conversion.

10. DEFERRED REVENUE

As of April 30, 2016, deferred revenue balance of \$152,106 (October 31 2015: \$143,051) represents royalty prepayment from Obagi Medical Products ("Obagi") for the commercialization of skin lightening compound TFC-849 and a compound supply prepayment.

a) During the year ended October 31, 2014, Sirona entered a global exclusive licensing agreement with Obagi for the commercialization of skin lightening compound TFC-849. Sirona will receive a licensing fee and ongoing royalty payments for global product sales from Obagi. Sirona will transfer its patented skin lightening technology and know-how to Obagi. Obagi will be responsible for the manufacturing, distribution and global sales of the final commercial products. Obagi will make following two royalty pre-payments:

- i) Upfront royalty pre-payment: \$50,000 within 10 days of execution of this agreement; which has been paid.

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10. DEFERRED REVENUE (cont'd)

- ii) Success criteria milestones: \$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.

These pre-paid royalty amount will be deducted from the initial running royalty payments based on net sales of development product. Therefore, it is recorded under deferred revenue as the production hasn't commenced as at April 30, 2016.

b) During the year ended October 31, 2014, The Company entered into a compound supply agreement with Obagi. Based on the agreement, Sirona will engage a third party contract research organization ("CRO") to produce 500g of the Compound as well as related report for €300,000; and then, supply the Compound to Obagi. Obagi will pay Sirona the production cost net of potential grants Sirona receives. The product will be delivered to Obagi from CRO's facility directly. Obagi will pay the purchase price for the deliverables based on Sirona's invoices. As at April 30, 2016, \$97,606 (October 31, 2015: \$88,551) was received as advance from Obagi.

11. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals and entities:

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 six months ended April 31, 2016 and 2015, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

Related party transactions	Six months ended April 30,	
	2016	2015
	\$	\$
Management fees and wages (a)	158,500	221,945
Director fees	1,500	15,600
Accounting fees (Christopher Hopton, for acting as CFO)	66,000	53,500
Share-based payments	62,325	141,858
Total	288,325	432,903

As of April 30, 2016 and October 31, 2015, \$nil balance is owing to related parties.

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11. RELATED PARTY TRANSACTIONS (cont'd)

- (a) For the six months ended April 30, 2016, amount of \$72,000 (2015: \$53,550) management fee was paid/incurred to Howard Verrico, for acting as COB, CEO, secretary and director, amount of \$nil (2015: \$39,913) management fee and \$78,000 (2015: \$42,419) wages was paid/incurred to Attila Hajdu, for acting as Chief Business Development Officer of the Company, amount of \$8,500 wages (2015: \$48,563) was paid/incurred to Michelle Seldenrich, for acting as Vice President, Operations.

These 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.

12. SHARE CAPITAL

- a) **Authorized:** Unlimited common shares without par value.
- b) **Issued and Outstanding:** During the six months ended April 30, 2016, 959,000 shares were issued for the exercise of options and 380,000 shares were issued for the exercise of warrants. 5,583,333 shares were issued for conversion of loan balances.
- c) **Shares to be issued:** 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. As of April 30, 2016, amount of \$380,000 proceeds have been received in advance.

c) Warrants

	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 exercised	(380,000)	0.20	-
Balance at April 30, 2016	8,865,970	\$ 0.20	0.85

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12. SHARE CAPITAL (cont'd)

c) Warrants (cont'd)

At April 30, 2016, the warrants outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Warrants as at April 30, 2016
March 6, 2017	\$ 0.20	8,865,970

d) Stock Options

At April 30, 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 Period	Exercised During the Period	Expired/ Cancelled During the Period	Number of Options as at April 30, 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	-	-	-	815,000
January 16, 2017	\$0.15	500,000	-	-	-	500,000
March 10, 2017	\$0.20	500,000	-	-	-	500,000
April 15, 2017	\$0.16	400,000	-	-	-	400,000
June 26, 2017	\$0.16	600,000	-	-	-	600,000
September 1, 2017	\$0.165	450,000	-	-	-	450,000
October 13, 2017	\$0.18	200,000	-	-	-	200,000
November 25, 2017	\$0.19	-	1,200,000	-	-	1,200,000
December 17, 2017	\$0.10	100,000	-	-	-	100,000
April 11, 2018	\$0.195	-	50,000	-	-	50,000
June 25, 2018	\$0.15	700,000	-	-	-	700,000
August 9, 2018	\$0.11	182,000	-	(182,000)	-	-
August 25, 2018	\$0.16	100,000	-	-	-	100,000
November 22, 2018	\$0.15	1,100,000	-	-	-	1,100,000
February 19, 2019	\$0.15	300,000	-	-	-	300,000
April 2, 2019	\$0.10	800,000	-	-	-	800,000
April 25, 2019	\$0.11	750,000	-	-	-	750,000
October 21, 2019	\$0.15	225,000	-	-	-	225,000
February 25, 2020	\$0.15	1,500,000	-	-	-	1,500,000
June 26, 2025	\$0.16	3,600,000	-	-	-	3,600,000
		14,099,000	1,250,000	(959,000)	-	14,390,000

The weighted average contractual life remaining of all stock options as at April 30, 2016 is 3.82 years (October 31, 2015: 4.26 years). During the six months period ended April 30, 2016, 1,250,000 stock options were granted with a weighted average exercise price of \$0.19. The granted stock options have options' exercise price is equal to the market price at the date of grant. 959,000 stock options were exercised during the six months period ended April 30, 2016.

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12. SHARE CAPITAL (cont'd)

d) Stock Options (cont'd)

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%-0.62%	0.87%-1.02%
Dividend yield	0%	0%
Volatility	69%-71%	93%-108%
Expected life	1 year	2 years

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 5 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.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

e) Escrow Shares

As at April 30, 2016, there were 2,437,500 common shares (October 31, 2015 – 2,925,000) held in escrow subject to Section 11(5) of Exchange Policy 2.4. On May 1, 2009, the escrow shares are released pro-rata to the escrow shareholders over a 36 months period - 10% immediately and 15% each six months thereafter. In addition, 13,000,000 shares related to the purchase of TFC are released over a 72 month period – 10% immediately, 7.5% each six months thereafter.

13. GEOGRAPHIC SEGMENT AND ECONOMIC DEPENDENCE

The Company and its subsidiary TFC are considered to be operating in one segment based on its business nature and strategic decision making method.

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.

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13. GEOGRAPHIC SEGMENT AND ECONOMIC DEPENDENCE (cont'd)

The Company's net income (loss) by geographic locations for the period ended April 30, 2016 and 2015 are as follows:

Net (loss)	Six months ended	
	April 30, 2016	April 30, 2015
Canada	\$ (424,722)	\$ (1,364,018)
France	(737,582)	(479,931)
Total	\$ (1,162,304)	\$ (1,843,949)

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

Total assets	April 30, 2016	October 31, 2015
Canada	\$ 1,025,294	\$ 1,885,269
France	3,135,215	2,860,915
Total	\$ 4,160,509	\$ 4,746,184

14. 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.

2016	\$ 58,958
2017	58,958
2018	34,392
Total	\$ 152,308

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.

15. SUBSEQUENT EVENTS

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.