SIRONA BIOCHEM CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED APRIL 30, 2018

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 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	April 30, 2018	October 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 159,210	$ 272,274
Trade and other receivables	-	4,717
Tax receivables (Note 6)	524,707	653,633
Share subscription receivable (Note 18)	-	279,000
Prepaid expenses and deposits (Note 7)	215,334	41,414
	899,251	1,251,038
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 11)	$ 550,380	$ 503,510
Convertible debentures (Note 12)	1,240,152	655,762
Current portion of lease obligation (Note 14)	37,155	35,515
Current portion of long-term debt (Note 13)	159,161	41,465
Deferred revenue	19,181	16,880
	2,006,029	1,253,132
Long-term debt (Note 13)	1,128,706	1,206,266
Long-term convertible debentures (Note 12)	-	570,406
Lease obligation (Note 14)	165,274	178,243
Employee benefits (Note 16)	92,304	83,573
	$ 3,392,313	$ 3,291,620
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	$ 19,909,583	$ 19,669,985
Contributed surplus	3,893,279	3,823,935
Equity Portion of convertible debenture	30,726	30,726
Foreign translation reserve	(57,292)	(28,344)
Accumulated deficit	(26,269,358)	(25,536,884)
	(2,493,062)	(2,040,582)
	$ 899,251	$ 1,251,038

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

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

	Three Months Ended April 30, 2018	Three Months Ended April 30, 2017	Six Months Ended April 30, 2018	Six Months Ended April 30, 2017
Revenue	$ 3,378	$ 499	$ 565,556	$ 1,142
Expenses				
Research expenses	281,793	266,759	514,783	467,989
Consulting fees	38,889	14,560	83,889	81,971
Office and administration	50,389	46,441	109,128	111,961
Accounting and audit fees	92,115	143,186	150,431	186,067
Amortization of equipment	-	-	-	-
Wages, salaries and benefits	48,501	109,647	94,971	186,204
Management fees	36,000	36,000	77,000	72,000
Travel and entertainment	2,002	5,865	11,499	15,353
Rental expenses	3,294	15,955	6,131	31,887
Investor relations	15,110	21,128	30,610	36,118
Legal fees	895	11,490	37,638	11,860
Filing fees and transfer agent fees	12,836	13,320	17,075	19,302
Management conferences and meetings	-	9,050	1,082	9,050
Exchange gain/loss	6,063	-	30,681	(4,247)
Share-based payments	-	-	78,942	8,413
	(584,509)	(692,902)	(678,304)	(1,232,786)
Other income/(expenses)				
Other income	14,134	9,543	39,932	11,687
Finance income	23	-	130	20
Finance expense	(46,141)	(17,958)	(92,660)	(45,245)
	(31,984)	(8,415)	(52,598)	(33,538)
Loss for the period	(616,493)	(701,317)	(730,902)	(1,266,324)
Taxes expenses	1,878	-	(1,572)	-
Net loss for the period	(614,615)	(701,317)	(732,474)	(1,266,324)
Other comprehensive loss for the period				
Foreign currency translation	(23,057)	35,451	(28,948)	9,439
Net comprehensive loss for the period	$ (637,672)	$ (665,866)	$ (761,422)	$ (1,256,885)
Loss per share - basic and diluted	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	171,157,286	165,197,548	170,676,738	165,176,885

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)

	2018	2017
Operating Activities		
Net loss for the period	(732,474)	(1,266,324)
Items not requiring use of cash:		
Amortization	-	79,184
Consulting fees	51,370	-
Deferred tax recovery	1,572	-
Share-based payments	78,942	8,413
Interest accretion	13,984	-
Changes in operating assets and liabilities:		
Trade and other receivable	57,106	(223,694)
Prepaid expenses and deposits	(9,428)	39,415
Trade and other payables	8,735	208,211
Rental security deposit	9,826	106
Employee benefits	6,119	4,681
Tax receivable	128,926	-
Deferred revenue	1,778	(88,551)
Cash used in operating activities	(383,544)	(1,238,559)
Investing Activities		
Acquisition of intangible assets	-	(89,756)
Cash used in investing activities	-	(89,756)
Financing Activities		
Shares issued for cash, net of share issuance costs	279,000	-
Option and warrants exercised	5,000	129,250
(Repayment)/borrowings	(18,433)	679,132
Cash provided by financing activities	265,567	808,382
Decrease in cash and cash equivalents	(117,977)	(519,933)
Effect of exchange rate fluctuations	4,913	(120)
Cash and cash equivalents, beginning of period	272,274	613,158
Cash and cash equivalents, end of period	159,210	93,105

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)

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

	Issued Common Shares		Contributed	Foreign translation	Equity portion of	Accumulated	
	Number	Amount	surplus	reserve	convertible debenture	Deficit	Total Equity
BALANCE, OCTOBER 31, 2016	165,097,548	$ 18,998,847	$ 3,627,302	$ 13,515	$ -	$ (21,076,490)	$ 1,563,174
Loss for the period	-	-	-	-	-	(1,266,324)	(1,266,324)
Issuance of stock options	-	-	8,413	-	-	-	8,413
Exercise of options	100,000	25,912	(10,912)	-	-	-	15,000
Foreign currency translation	-	-	-	35,451	-	-	35,451
BALANCE, April 30, 2017	165,197,548	19,024,759	3,624,803	48,966	-	(22,342,814)	355,714
BALANCE, OCTOBER 31, 2017	170,030,882	$ 19,669,985	$ 3,823,935	$ (28,344)	$ 30,726	$ (25,536,884)	$ (2,040,582)
Loss for the period	-	-	-	-	-	(732,474)	(732,474)
Issuance of stock options (Note 17)	-	-	78,943	-	-	-	78,943
Exercise of options (Note 17)	2,200,000	239,598	(9,599)	-	-	-	229,999
Exercise of warrants (Note 17)	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	(28,948)	-	-	(28,948)
BALANCE, April 30, 2018	172,230,882	$ 19,909,583	$ 3,893,279	$ (57,292)	$ 30,726	$ (26,269,358)	$ (2,493,062)

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

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of compliance

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 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, 2017.

Going concern

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, 2018, the Company has an accumulated deficit of $26,269,358 (October 31, 2017 - $25,536,884); For the period ended April 30, 2018, the Company incurred a net loss of $732,474 (April 30, 2017-$1,266,324); 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 AND GOING CONCERN(continued)

Basis of measurement

These unaudited condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These unaudited condensed interim 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, TFChem S.A.R.L. ("TFC"), is Euro.

Use of estimates

The preparation of these unaudited condensed interim 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.

Foreign currency

<u>Foreign currency transactions</u>

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Foreign currency (continued)

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)

- 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.

- Compound financial instruments:
  Convertible debentures are compound financial instruments, consisting of the debt instrument and the equity conversion feature. The debt instrument is fair valued using a rate applicable to a non-compound debt instrument at issuance and carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument is allocated as the fair value of the equity component of the convertible debentures. Transaction costs are netted against the debt instrument and equity component based on the pro-rata allocation of the fair value of each instrument at initial recognition.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement (continued)

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).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefit

Short-term employee benefits

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.

Long term employee benefits

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 April 30, 2018, and October 31, 2017, the employee benefit amount represent the retirement allowance payable accrued by TFC.

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 April 30, 2018 and October 31, 2017, 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 April 30, 2018 and October 31, 2017, 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)

Long-term employee benefits

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.

Depreciation and amortization

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.

Share-based payments

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.

Current and deferred taxes

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 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. TAX RECEIVABLES

Tax receivables as detailed below:

		April 30, 2018		October 31, 2017
R&D tax credit, VAT, and other tax receivables	$	516,893	$	645,616
GST/HST receivables		7,814		8,017
	$	524,707	$	653,633

7. PREPAID EXPENSES AND DEPOSITS

		April 30, 2018		October 31, 2017
Prepaid expenses	$	214,559	$	30,836
Rental deposits		-		9,826
Other investments		776		752
	$	215,334	$	41,414

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
October 31, 2016	$ 121,999	$ 27,627	$ 6,754	$ 257,110	$ 15,869	$ 429,359
Additions	-	-	-	-	-	-
Impairment	(124,813)	(25,504)	-	(263,049)	(16,235)	(429,600)
Exchange difference	2,814	(2,123)	(6,754)	5,939	366	241
April 30, 2018 and October 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -

Accumulated Amortization	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
October 31, 2016	$ 112,970	$ 4,994	$ 6,754	$ 14,793	$ 11,770	$ 151,281
Additions	4,726	5,975	-	36,301	1,125	48,127
Impairment	(120,472)	(8,533)	-	(52,713)	(13,207)	(194,925)
Exchange difference	2,776	(2,436)	(6,754)	1,619	312	(4,483)
April 30, 2018 and October 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -

Net book value	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
October 31, 2017	$ -	$ -	$ -	$ -	$ -	$ -
April 30, 2018	$ -	$ -	$ -	$ -	$ -	$ -

As at October 31, 2017, the Company reviewed the recoverable amount of CGU, consisting of property and equipment, goodwill and intangible assets and noted impairment of CGU. As a result, the property and equipment have been impaired and the Company recorded $234,675 of impairment loss.

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSETS

Cost		Acquired intangible assets		Patents		Software		Total
October 31, 2016	$	1,654,453	$	441,898	$	8,123	$	2,104,474
Additions		-		147,382		-		147,382
Impairment		(1,635,084)		(584,107)		(8,028)		(2,227,219)
Exchange difference		(19,369)		(5,173)		(95)		(24,637)
April 30, 2018 and October 31, 2017	$	-	$	-	$	-	$	-

Accumulated Amortization		Acquired intangible assets		Patents		Software		Total
October 31, 2016	$	476,106	$	55,610	$	5,767	$	537,483
Additions		77,516		29,616		2,329		109,461
Impairment		(548,048)		(84,577)		(8,028)		(640,653)
Exchange difference		(5,574)		(649)		(68)		(6,291)
April 30, 2018 and October 31, 2017	$	-	$	-	$	-	$	-

Net book value		Acquired intangible assets		Patents		Software		Total
October 31, 2017	$	-	$	-	$	-	$	-
April 30, 2018	$	-	$	-	$	-	$	-

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, 2017, intangible assets have been impaired and the Company recorded $1,586,566 of impairment loss.

10. GOODWILL

Goodwill was recognized as a result of the acquisition of TFC in 2011. As at October 31, 2017 and 2016, 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 three-year period (2016 – 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 20% to 22% and estimated probability of success of various phases of clinical trials ranging from 19.8% to 33.0%. Based on the result of the value in use test, the Company has determined that the recoverable amount of the CGU, consisting of property and equipment, goodwill and intangible assets indicates impairment of CGU. As at October 31, 2017, goodwill has been impaired and the Company recorded $148,179 of impairment loss accordingly.

(Expressed in Canadian Dollars)

11. TRADE AND OTHER PAYABLES

	April 30, 2018	October 31, 2017
Trade payables	$ 512,694	$ 310,909
Interest payable	37,686	40,364
Payroll liabilities	-	152,237
	$ 550,380	$ 503,510

12. CONVERTIBLE DEBENTURES

During February 2017, the Company issued convertible notes ("Notes A") for a total 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 months term of the Notes A. The Notes A 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 A are converted or repaid. The Company will be entitled to repay the principal amount of the Notes A, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $646,340 related to the fair value of the debt component of the Notes A using a market interest rate for comparable companies of 15.4% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $14,075, net of taxes ($4,945) was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes A using an effective interest rate of 14.18% over the term of the Notes A.

During May 2017, the Company issued convertible notes ("Note B") for a total gross proceed of $587,000. 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 B. The Notes B 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 B are converted or repaid. The Company will be entitled to repay the principal amount of the Notes B, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $564,498 related to the fair value of the debt component of the Notes B using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $16,651, net of taxes ($5,851) was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes B using the effective interest rate of 14.86% over the term of the Notes B.

For the period ended April 30, 2018, total of $88,508 (April 30, 2017, $nil) interest expense was recorded in the consolidated statement of loss and comprehensive loss.

13. 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 $1,262,604 (€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 April 1, 2018. In November 2014, the Company received the first draw of the loan totalling $757,562 (€504,000). During the fiscal year 2017, the Company received the second draw of the loan totalling $505,042 (€336,000).

Repayment terms of BPI loan are as follows:
- 23.42% of profit, excluding taxes, of sales or concessions of patent licenses or know-how collected during the year related to the research project, financed by BPI loan.
- 23.42% of profit, excluding taxes, generated by the marketing and the sale to a third party or the Company's own use.

14. 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) or annual lease payment of $40,849 (€27,176). Management has assessed that the lease is a finance lease. The lease is guaranteed by BPI.

15. 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 (paid during the period and recorded as revenue);
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.

15. LICENSING AGREEEMENTS (continued)

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 received as of October 31, 2017)

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

During the period ended April 30, 2018, TFC-849 has been proven difficult to be manufactured in a commercially viable process. Obagi has terminated the Obagi license agreement. As a result, pre-paid royalty of $64,465 (US$50,000) has been reclassified to trade and other payable.

Obagi Compound Supply Agreement

On September 9, 2014, the Company entered into a compound supply agreement with Obagi. The Company acted as an agent for Obagi contracting a third party to produce a compound as well as a related report. All payments received by Obagi were paid to the third party. When the License agreement with Obagi was terminated, the Compound Supply Agreement was also terminated. The Company terminated the agreement with the third party and there was no further obligation from either party.

16. EMPLOYEE BENEFITS

As of April 30, 2018 and October 31, 2017, 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: 1.41%
- Increase in salaries: 1.50%
- Turnover: 5.1% for under 55 years old and 0% over 55 years old

(Expressed in Canadian Dollars)

17. SHARE CAPITAL

Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued: As of April 30, 2018, 172,230,882 (October 31, 2017: 170,030,882) common shares were issued and outstanding.

During the six months ended April 30, 2018, 2,200,000 shares were issued for the exercise of options.

On October 26, 2017, the Company completed a private placement for total gross proceeds of $635,000. The private placement consists of 4,233,334 units at $0.15 per unit. Each unit consists of one common share of the Company and 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 $0.25 per warrant. $279,000 of proceeds were received subsequent to the year end. The Company estimated the fair value of the warrants at $109,204 and recorded the amount in Contributed surplus.

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 October 31, 2016	10,939,720	$	0.22	0.57
Warrants expired	(15,200)		0.20	-
Warrants granted exercisable on or before October 26, 2019	4,233,334		0.25	1.99
Balance at October 31, 2017	15,157,854	$	0.23	0.67
Warrants expired	(8,850,700)		0.25	-
Balance at April 30, 2018	6,307,154	$	0.27	1.01

At April 30, 2018, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price		Number of Warrants as at April 30, 2018
May 11, 2018	*	$	0.30	2,073,820
October 26, 2019		$	0.25	4,233,334
				6,307,154

*Subsequent to April 30, 2018, the expiry date is extended from May 11, 2018 to May 11, 2019.

(Expressed in Canadian Dollars)

17. SHARE CAPITAL (continued)

Stock options

At April 30, 2018, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2017	Granted During the Period	Exercised During the Period	Expired/ Cancelled During the Period	Number of Options as at April 30, 2018	Number of Options Exercisable as at April 30, 2018
November 25, 2017	$0.19	900,000	-	-	(900,000)	-	-
December 17, 2017	$0.10	50,000	-	(50,000)		-	-
January 31, 2018	$0.19	300,000	-	-	(300,000)	-	-
April 11, 2018	$0.195	50,000	-	-	(50,000)	-	-
June 25, 2018	$0.15	700,000	-	-	-	700,000	700,000
August 25, 2018	$0.16	100,000	-	-	-	100,000	100,000
August 31, 2018	$0.15	400,000	-	-	-	400,000	400,000
September 21, 2018	$0.20	500,000	-	-	-	500,000	500,000
November 22, 2018	$0.15	1,100,000	-	-	-	1,100,000	1,100,000
April 2, 2019	$0.10	800,000	-	-	-	800,000	800,000
April 25, 2019	$0.11	750,000	-	-	-	750,000	750,000
May 31, 2019	$0.15	-	400,000	(200,000)	(200,000)	-	-
February 25, 2020	$0.15	300,000	-	-	-	300,000	300,000
March 21, 2020	$0.10	-	1,950,000	(1,950,000)		-	-
June 21, 2021	$0.20	400,000	-	-	-	400,000	400,000
November 3, 2021	$0.15	400,000	-	-	-	400,000	400,000
January 10, 2022	$0.18	100,000	-	-	-	100,000	100,000
September 26, 2022	$0.15	1,300,000	-	-	-	1,300,000	1,300,000
June 26, 2025	$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	$0.20	900,000	-	-	-	900,000	900,000
November 20, 2022	$0.15	-	500,000	-	-	500,000	500,000
November 20, 2027	$0.15	-	1,450,000	-	-	1,450,000	1,450,000
		12,350,000	4,300,000	(2,200,000)	(1,450,000)	13,000,000	13,000,000

The weighted average contractual life remaining of all stock options as at April 30, 2018 is 4.50 years (October 31, 2017: 3.86 years). During the six months period ended April 30, 2018, 4,300,000 stock options were granted with a weighted average exercise price of $0.13. The granted stock options' exercise price is greater than the market price at the date of grant. 2,200,000 stock options were exercised, and 1,450,000 stock options were expired during the six months period ended April 30, 2018.

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

	2018	2017
Risk-free interest rate	1.46%	0.56% to 1.59%
Dividend yield	0%	0%
Volatility	63%	67% to 76%
Expected life	1.5	0.375 to 2.5 years

17. SHARE CAPITAL (cont'd)

Stock options (continued)

For the period April 30, 2018, share-based compensation in the amount of $78,942 (April 30, 2017 - $8,413) 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 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.

Escrow Shares

As at April 30, 2018 and October 31, 2017, there were nil common shares held in escrow subject to Section 11(5) of Exchange Policy 2.4.

18. 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 period ended April 30, 2018 and 2017, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

(Expressed in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS (cont'd)

Related party transactions	Six months ended April 30, 2018	2017
	$	$
Management fees (Howard Verrico, for acting as CEO)	72,000	72,000
Accounting fees (Christopher Hopton, for acting as CFO)	66,000	66,000
Share-based payments	85,575	-
Total	223,575	138,000

As of April 30, 2018, $12,000 (October 31, 2017-$Nil) balance is owing to related parties.

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.

19. 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.

The Company's net income (loss) by geographic locations for the period ended April 30, 2018 and 2017 are as follows:

Net (loss)		Six months ended April 30, 2018		October 31, 2017
Canada	$	(140,468)	$	(295,832)
France		(592,006)		(269,175)
Total	$	(732,474)	$	(565,007)

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

Total assets		April 30, 2018		October 31, 2017
Canada	$	294,866	$	452,177
France		604,385		798,861
Total	$	899,251	$	1,251,038

(Expressed in Canadian Dollars)

20. 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.

2018	$	4,913
Total	$	4,913

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.