SIRONA BIOCHEM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2018 AND 2017

(Expressed in Canadian Dollars)

Management’s Responsibility

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

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

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

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

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

March 4, 2019

(signed)

“Howard Verrico”
Chief Executive Officer

(signed)

“Christopher Hopton”
Chief Financial Officer

MNP LLP

Independent Auditors' Report

To the Shareholders of Sirona Biochem Corp:

We have audited the accompanying consolidated financial statements of Sirona Biochem Corp, which comprise the consolidated statements of financial position as at October 31, 2018 and October 31, 2017, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sirona Biochem Corp as at October 31, 2018 and October 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Vancouver, British Columbia
March 4, 2019

Chartered Professional Accountants

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

As at	October 31, 2018	October 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 339,076	$ 272,274
Trade and other receivables (Note 6)	9,759	4,717
Tax receivables (Note 7)	293,822	653,633
Share subscription receivable (Note 19)	-	279,000
Prepaid expenses and deposits (Note 8)	127,853	41,414
	770,510	1,251,038
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 12)	$ 442,620	$ 503,510
Convertible debentures (Note 13)	918,226	655,762
Current portion of lease obligation (Note 16)	36,118	35,515
Current portion of long-term debt	223,328	41,465
Deferred revenue (Note 17)	-	16,880
Short-term loan (Note 14)	236,000	-
	1,856,292	1,253,132
Long-term debt (Note 15)	956,040	1,206,266
Long-term convertible debentures (Note 13)	-	570,406
Lease obligation (Note 16)	140,329	178,243
Employee benefits (Note 18)	78,815	83,573
	$ 3,031,476	$ 3,291,620
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 19)	$ 20,396,599	$ 19,669,985
Contributed surplus	4,164,638	3,823,935
Equity Portion of convertible debenture	26,744	30,726
Foreign translation reserve	(38,817)	(28,344)
Accumulated deficit	(26,810,130)	(25,536,884)
	(2,260,966)	(2,040,582)
	$ 770,510	$ 1,251,038

Commitments (Note 22)

Subsequent events (Notes 14, 19 & 25)

APPROVED ON BEHALF OF THE BOARD:

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

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

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended October 31, 2018 and 2017
(Expressed in Canadian dollars)

		Year Ended October 31, 2018		Year Ended October 31, 2017
Revenue	$	1,278,695	$	5,468
Expenses				
Research expenses		946,919		998,663
Consulting fees		251,703		211,067
Office and administration		167,029		222,592
Accounting and audit fees		261,980		273,510
Wages, salaries and benefits		189,014		313,328
Management fees		149,000		149,000
Travel and entertainment		20,308		24,897
Rental expenses		11,729		63,753
Investor relations		61,479		62,229
Legal fees		38,973		22,031
Filing fees and transfer agent fees		26,757		32,388
Management conferences and meetings		-		9,050
Exchange (gain)/loss		(9,576)		3,254
Share-based payments		98,310		112,772
		(934,930)		(2,493,066)
Other income/(expenses)				
Other income		32,526		111,236
Impairment of long term assets		-		(1,943,798)
Loss on revaluation of warrants		(23,966)		-
Finance expense		(226,770)		(145,562)
		(218,210)		(1,978,124)
Loss for the year		(1,153,140)		(4,471,190)
Income taxes recovery (expense) (Note 21)		(120,106)		10,796
Net loss for the year		(1,273,246)		(4,460,394)
Other comprehensive loss for the year				
Foreign currency translation		(10,473)		(41,859)
Net loss and comprehensive loss for the year	$	(1,283,719)	$	(4,502,253)
Loss per share - basic and diluted	$	(0.01)	$	(0.03)
Weighted average number of common shares outstanding - basic and diluted		171,771,215		159,862,263

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

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

	Issued Common Shares		Contributed	Foreign translation	Equity portion of	Accumulated	Total Equity
	Number	Amount	surplus	reserve	convertible debenture	Deficit	(Deficiency)
BALANCE, OCTOBER 31, 2016	165,097,548	$ 18,998,847	$ 3,627,302	$ 13,515	$ -	$ (21,076,490)	$ 1,563,174
Loss for the year	-	-	-	-	-	(4,460,394)	(4,460,394)
Private placement, net of share issuance cost (Note 19)	4,233,334	525,796	109,204	-	-	-	635,000
Convertible debentures, net of issuance costs (Note 13 and Note 1	-	-	-	-	30,726	-	30,726
Issuance of stock options (Note 19)	-	-	112,771	-	-	-	112,771
Exercise of options (Note 19)	700,000	145,342	(25,342)	-	-	-	120,000
Issuance of common shares	-	-	-	-	-	-	-
Modification of warrants (Note 19)	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	(41,859)	-	-	(41,859)
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 year	-	-	-	-	-	(1,273,246)	(1,273,246)
Private placement, net of share issuance cost (Note 19)	7,095,100	510,515	189,463	-	-	-	699,978
Convertible debentures, net of issuance costs (Note 13 and Note 1	-	-	14,075	-	(3,982)	-	10,093
Issuance of stock options (Note 19)	-	-	122,798	-	-	-	122,798
Exercise of options (Note 19)	50,000	14,599	(9,599)	-	-	-	5,000
Issuance of common shares	2,150,000	201,500					201,500
Modification of warrants (Note 19)	-	-	23,966	-	-	-	23,966
Foreign currency translation	-	-	-	(10,473)		-	(10,473)
BALANCE, OCTOBER 31, 2018	179,325,982	20,396,599	4,164,638 -	(38,817) -	26,744 -	(26,810,130) -	(2,260,966)

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

SIRONA BIOCHEM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Year Ended October 31, 2018	Year Ended October 31, 2017
Operating Activities		
Net loss for the year	$ (1,273,246)	$ (4,460,394)
Items not requiring use of cash:		
Amortization	-	185,822
Consulting fees	166,018	-
Deferred tax recovery	3,733	10,796
Non-cash interest expenses	36,000	-
Modification of outstanding warrants	23,966	-
Share-based payments	122,798	112,771
Interest accretion	41,418	15,330
Impairment of long-term asset	-	1,943,798
Changes in operating assets and liabilities:		
Trade and other receivables and tax receivables	408,297	(431,159)
Prepaid expenses and deposits	(18,663)	71,125
Trade and other payables	(4,515)	53,596
Employee benefits	(4,024)	(2,709)
Deferred revenue	(17,171)	(38,192)
Interest paid	(138,412)	40,364
Cash used in operating activities	(653,801)	(2,498,852)
Investing Activities		
Purchase of property and equipment	-	-
Acquisition of intangible assets	-	(175,616)
Cash used in investing activities	-	(175,616)
Financing Activities		
Shares issued for cash, net of share issuance costs	597,304	470,250
Option and warrants exercised	5,000	120,000
(Repayment)/borrowing term loan	109,642	(33,423)
(Repayment)/Borrowing convertible debentures	10,093	1,729,450
Cash provided by financing activities	722,039	2,297,073
Increase /(Decrease) in cash and cash equivalents	68,238	(398,395)
Effect of exchange rate fluctuations	(1,436)	36,511
Cash and cash equivalents, beginning of year	272,274	613,158
Cash and cash equivalents, end of year	$ 339,076	$ 272,274

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

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND GOING CONCERN

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

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on March 4, 2019.

Going concern
These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved a scalable commercialization of its products. As of October 31, 2018, the Company has an accumulated deficit of $26,810,130 (2017 - $25,536,884). For the year ended October 31, 2018, the Company incurred a net loss of $1,273,246 (2017 – $4,460,394) and used net cash in operating activities of $653,801 (2017 – $2,498,852).

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

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

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

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The functional currency of its wholly owned subsidiary, TFChem S.A.R.L. ("TFC"), is Euro.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 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
Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency is 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 loss and accumulated in a separate component of shareholders' equity (deficit), 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 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.

Financial instruments

Classification and measurement

- 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.

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, lease obligation, short-term loan, convertible debentures, short-term loan, 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.

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. There were no cash equivalents as at October 31, 2018 and 2017.

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

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

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

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

Leases

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

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

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

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

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

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

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

Goodwill

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

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

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

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.

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.

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

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

Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to

be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

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

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

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

Employee benefit
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 October 31, 2018 and 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.

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 conditions 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.

The benefit of loans from government at a below-market interest rate are measured and recognized as the difference between the amount expected to be received less, when material a discount to reduce the loan to fair value. The benefit amount is presented with the carrying value of the loans as long-term debt in the consolidated financial statements of financial position. The benefit amount will be amortized over the repayment period of the loans and the accretion of the loans will be amortized using the effective interest method.

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 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.

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

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

Under the treasury stock method, the dilution is computed based upon the number of common shares issued should “in the money” options or warrants, if any, be exercised. When the effects of outstandingly stock-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. As at October 31, 2018 and 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.

Determination of functional currency of the Company
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.

Capitalization of development costs
Management applies judgement in evaluating whether or not development costs incurred by the Company in the internal development of intangible assets meet the criteria for capitalizing. Management determined that as at October 31, 2018, 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 15.4% and 16.3% being the reasonable interest rate a comparable company in biotechnology 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.

Long-term debt

The calculation of benefit of the loans from government at a below-market interest rate requires using an interest rate that the Company would have had to pay if the loan was obtained from the third party. Such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 14.9% being the reasonable interest rate a comparable biotechnology company in France would likely pay in obtaining loans.

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 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.

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 consolidated financial statements of these new standards:

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

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

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

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

6. TRADE AND OTHER RECEIVABLES

	October 31, 2018	October 31, 2017
Trade receivables	$ -	$ 4,717
Other receivables	9,759	-
	$ 9,759	$ 4,717

As of October 31, 2018, there were no trade and other receivables past due, all amounts included in trade and other receivables were due to timing-related matters and expected to be collected within one year and the Company did not hold any collateral for amounts due.

7. TAX RECEIVABLES

	October 31, 2018	October 31, 2017
R&D tax credit	$ 278,752	$ 602,960
VAT and other tax receivables	8,607	42,656
GST/HST receivables	6,463	8,017
	$ 293,822	$ 653,633

Tax receivables are mainly related to R&D tax credit and value added taxes ("VAT"). The Company expects full recovery of R&D tax credit, VAT and other tax receivables and GST/HST receivables based on the past receipt history and consequently has not recorded any allowance against these receivables. As of October 31, 2018, there were no tax receivables past due, all amounts included in tax receivables were due to timing-related matters and expected to be collected within one year and the Company did not hold any collateral for amounts due.

8. PREPAID EXPENSES AND DEPOSITS

	October 31, 2018	October 31, 2017
Prepaid expenses	$ 127,109	$ 30,836
Rental deposits	0	9,826
Other investments	744	752
	$ 127,853	$ 41,414

9. PROPERTY 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	(123,556)	(25,247)	-	(260,400)	(16,072)	(425,275)
Exchange difference	1,557	(2,380)	(6,754)	3,290	203	(4,084)
October 31, 2018 and 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	4,977	6,291	-	38,223	1,185	50,675
Impairment	(119,259)	(8,447)	-	(52,183)	(13,074)	(192,962)
Exchange difference	1,312	(2,838)	(6,754)	(833)	119	(8,994)
October 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -	$ -

Net book value	Industrial Equipment	Computer Equipment	Office Equipment	Scientific instrument under finance lease	Furniture	Total
October 31, 2016	$ 9,029	$ 22,633	$ -	$ 242,317	$ 4,099	$ 278,078
October 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -	$ -

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 (note 11).

SIRONA BIOCHEM CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended October 31, 2018 and 2017
(Expressed in Canadian dollars)

10. 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)
October 31, 2018 and 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)
October 31, 2018 and 2017	$	-	$	-	$	-	$	-

Net book value		Acquired intangible assets		Patents		Software		Total
October 31, 2016	$	1,178,347	$	386,288	$	2,356	$	1,566,991
October 31, 2018 and 2017	$	-	$	-	$	-	$	-

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 $1,566,991 of impairment loss (note 11).

11. GOODWILL

Goodwill was recognized as a result of the acquisition of TFC in 2011. As at October 31, 2017, 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.

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. There is no reversal of impairment noted for year ended October 31, 2018.

12. TRADE AND OTHER PAYABLES

		October 31, 2018		October 31, 2017
Trade payables	$	291,916	$	310,909
Interest payable		-		40,364
Payroll liabilities		150,704		152,237
	$	442,620	$	503,510

13. CONVERTIBLE DEBENTURES

On August 31, 2018, the Company issued convertible notes ("Notes C") for total gross proceeds of $443,600. Each Note will be convertible at the option of the holder into one common share of the Company at a conversion price of $0.14 per share during the 12-month term of the Notes C. The Notes C will mature in 12 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes C are converted or repaid. The Company will be entitled to repay the principal amount of the Notes C, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $429,774 related to the fair value of the debt component of the Notes C 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 $10,093, net of taxes was assigned to the equity conversion component and included in the shareholders' equity. The Company amortizes the debt component of the Notes C using an effective interest rate of 15.39% over the term of the Notes C. For the year ended October 31, 2018, $10,993 interest expense was recorded in the consolidated statement of loss and comprehensive loss.

During February 2017, the Company issued convertible notes ("Notes A") for 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. For the year ended October 31, 2018, $71,939 (2017-$69,556) interest expense was recorded in the consolidated statement of loss and comprehensive loss. During the year 2018, the Notes A were repaid.

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 year ended October 31, 2018, $98,611 (2017-$35,903) interest expense was recorded in the consolidated statement of loss and comprehensive loss. During the year 2018, $100,000 of principal amount of Notes B was repaid.

14. SHORT-TERM LOAN

During the year ended October 31, 2018, the Company entered into an unsecured loan agreement with a third party for a total amount of $200,000. The loan and accrued interest will mature in 90 days from the date of issuance and 400,000 shares of the Company will be issued to the lender as interest. $36,000 interest expenses have been accrued as at October 31, 2018. The principal has been paid subsequent to year end. The 400,000 shares were issued as interest subsequent to year end.

15. 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
- Minimum repayment per year, commencing April 1, 2018.

Minimum payments under the long-term debt at October 31, 2018, are as follows:

	$	€
2019	$ 238,080	€ 160,000
2010	297,600	200,000
2021	357,120	240,000
2022	301,320	202,500
	$ 1,194,120	€ 802,500

16. 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.

Minimum payments under the finance leases at October 31, 2018, are as follows:

2019	$ 40,849
2010	40,849
2021	40,849
2022	40,849
Thereafter	26,459
	189,855
Less: amount representing interest	(13,407)
Principal	$ 176,448

17. 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 in F2018 and recorded as revenue);
iv. US$500,000 upon receipt of CTA by CFDA for a Phase I study in the territory (paid in F2018 and recorded as revenue);
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.

License 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, or 2) the first commercial sale of licensed product.

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

During the year 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 $65,710 (US$50,000) has been recognized as other revenue.

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.

18. EMPLOYEE BENEFITS

As of October 31, 2018 and 2017, the employee benefit amount represents 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

19. SHARE CAPITAL

Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued: As of October 31, 2018, 179,325,982 (2017: 170,030,882) common shares were issued and outstanding.

On October 15, 2018, the Company completed a private placement for total gross proceeds of $709,510. The private placement consists of 7,095,100 units at $0.10 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 three years at a price of $0.18 per warrant. The Company assigned a relative fair value of the warrants at $186,378 and recorded the amount in Contributed surplus. The Company issued broker's warrants fair valued at $3,085 in connection with the private placements.

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 assigned a relative fair value of the warrants at $109,204 and recorded the amount in Contributed surplus.

During the year ended October 31, 2018, 50,000 (2017: 700,000) shares were issued for the exercise of options. The total cash proceeds of $5,000 (2017: $120,000) has been received.

Warrants

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

	Number of Warrants		Weighted average exercise price	Weighted average remaining contractual life (years)
Balance at October 31, 2016	10,939,720	$	0.22	0.57
Warrants expired	(15,270)		0.20	-
Warrants granted exercisable on or before October 26, 2019	4,233,334		0.25	0.99
Balance at October 31, 2017	15,157,784	$	0.23	0.67
Warrants expired	(8,850,700)		0.20	-
Warrants granted exercisable on or before October 16, 2021	7,095,100		0.18	2.96
Broker warrants granted exercisable on or before October 16, 2021	95,320		0.18	2.96
Balance at October 31, 2018	13,497,504	$	0.23	1.97

At October 31, 2018, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price	Number of Warrants as at October 31, 2017	
May 11, 2019	$	0.30	2,073,750	*
October 26, 2019	$	0.25	4,233,334	
October 16, 2021	$	0.18	7,095,100	
October 16, 2021	$	0.18	95,320	
			13,497,504	

* During the year, the expiry date was extended from May 11, 2018 to May 11, 2019.

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

	2018	**2017**
Risk-free interest rate	2.31%	1.43%
Dividend yield	0%	0%
Volatility	139%	68%
Expected life	3 years	2 years
Share price of grant date	$0.09	$0.14

Stock options

At October 31, 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 October 31, 2018	Number of Options Exercisable as at October 31, 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)	-	-
August 9, 2018	$0.11	-	-	-	-	-	-
August 25, 2018	$0.16	100,000	-	-	(100,000)	-	-
September 21, 2018	$0.20	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		200,000	-	-	200,000	-
August 31, 2019	$0.15	400,000	-		-	400,000	400,000
February 25, 2020	$0.15	400,000	-	-	(100,000)	300,000	300,000
June 21, 2021	$0.20	300,000	-	-	-	300,000	300,000
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
January 10, 2023	$0.18	-	100,000	-	-	100,000	100,000
November 20, 2027	$0.15	-	1,450,000	-	-	1,450,000	1,450,000
		12,350,000	2,250,000	(50,000)	(2,650,000)	11,900,000	11,700,000

* Such stock options expired subsequent to year end.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended October 31, 2018 and 2017
(Expressed in Canadian dollars)

At October 31, 2017, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2016	Granted During the Period	Exercised During the Period	Expired/ Cancelled During the Period	Number of Options as at October 31, 2017	Number of Options Exercisable as at October 31, 2017
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)	-	
August 31, 2017	$0.15	1,000,000	-	(100,000)	(900,000)	-	
October 5, 2017	$0.15	300,000			(300,000)		
October 13, 2017	$0.18	200,000	-	-	(200,000)	-	-
November 25, 2017	$0.19	900,000	-	-	-	900,000	900,000
December 17, 2017	$0.10	50,000	-	-	-	50,000	50,000
January 31, 2018	$0.19	300,000	-	-	-	300,000	300,000
February 15, 2018	$0.175	-	600,000	(600,000)	-	-	-
April 11, 2018	$0.195	50,000	-	-	-	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
February 25, 2020	$0.15	300,000	-	-	-	300,000	300,000
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
		13,550,000	2,400,000	(700,000)	(2,900,000)	12,350,000	12,350,000

* The expiry date is amended from November 25, 2017 to January 31, 2018

The weighted average contractual life remaining of all stock options as at October 31, 2018 is 3.95 years (2017: 3.86 years). During the year ended October 31, 2018, 2,250,000 stock options were granted with a weighted average exercise price of $0.15. The granted stock options have a weighted fair value of $0.05 per share and, 2,250,000 options' exercise price is greater than the market price at the date of grant.

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

	2018	**2017**
Risk-free interest rate	1.46% to 1.88%	0.56% to 1.59%
Dividend yield	0%	0%
Volatility	66% to 68%	67% to 76%
Expected life	1.44 to 2.5 years	0.375 to 2.5 years
Share price of grant date	$0.11 to $0.13	$0.14 to $0.185

For the year ended October 31, 2018, share-based compensation in the amount of $98,310 (2017 - $112,772) was recognized in the Company's consolidated statements of loss and comprehensive loss.

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

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

20. RELATED PARTY TRANSACTIONS

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

During the years ended October 31, 2018 and 2017, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2018 $	2017 $
Management fees/bonus (a)	144,000	144,000
Director fees (b)	5,000	5,000
Advisory fees (c)	213,394	197,851
Accounting fees (d)	132,000	132,000
Salaries (e)	163,000	232,000
Share-based payments (f)	95,195	-
Total	752,589	710,851

(a) For the year ended October 31, 2018, amount of $144,000 (2017: $144,000) management fee was paid/incurred to Howard Verrico, for acting as CEO, secretary and director.

(b) For the year ended October 31, 2018, amount of $5,000 (2017: $5,000) director fee was paid/incurred to three directors for acting as directors.

(c) For the year ended October 31, 2018, amount of $213,394 (2017: $197,851) advisory fee was paid/incurred to Geraldine Deliencourt-Godefroy, for services provided.

(d) For the year ended October 31, 2018, amount of $132,000 (2017: $132,000) accounting fee was paid/incurred to Christopher Hopton, for acting as CFO.

(e) For the year ended October 31, 2018, amount of $61,000 (2017: $130,000) salaries were paid/incurred to a former director, and amount of $102,000 (2017: $102,000) salaries were paid to a key management personnel.

(f) For the year ended October 31, 2018, 1,950,000 (2017: nil) stock options were granted to management and directors and amount of $95,195 (2017: $nil) share-based payments was recorded.

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

21. INCOME TAXES

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

TFC is subject to income tax at 28% (2017: 33.33%) and Sirona is subject to income tax at 26.75% (2017: 26%).

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of loss and comprehensive loss for the years ended October 31, 2018 and 2017:

	2018	2017
	$	$
Loss before tax and other comprehensive loss	(1,153,140)	(4,471,190)
Statutory tax rate	26.75%	26.00%
Expected income tax (recovery)	(308,465)	(1,162,509)
Non-deductible items	(46,727)	445,458
Change in estimates	3,351	(860,423)
Tax rates difference	10,746	(220,670)
Foreign exchange difference	1,583	(148,217)
Share issuance costs and others	45,687	(191,644)
Change in deferred tax asset not recognized	413,930	2,127,209
Income tax expense (recovery)	120,106	(10,796)
Current tax expense	123,839	-
Deferred tax recovery	(3,733)	(10,796)
Income tax expense (recovery)	120,106	(10,796)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) at October 31, 2018 and 2017 are comprised of the following:

	2018	2017
	$	$
Tax losses carryforward	2,721	7,072
Convertible debentures	(2,721)	(7,072)
Net deferred tax asset (liability)	-	-

The unrecognized deductible temporary differences as at October 31, 2018 and 2017 are comprised of the following:

Canada

	2018	2017
	$	$
Non capital loss carryforward	21,636,726	19,748,829
Net capital loss	600,394	600,389
Property and equipment	2,573	2,573
Intangible assets	226,625	221,516
Financing costs	19,694	15,077
Unrealized foreign exchange loss	98,303	98,303
Unrecognized deductible temporary differences	22,584,315	20,686,688

France

	2018	2017
	$	$
Net operating loss carryforwards	2,299,466	2,834,408
Employee benefits	78,815	83,571
Rental costs	5,431	3,423
Intangible assets	147,061	148,639
Unrecognized deductible temporary differences	2,530,773	3,070,040

Non-capital losses carryforward – Canada

The Company has non-capital loss carryforwards in Canada, for which no deferred tax asset has been recognized, of approximately $21,636,726 (2017: $19,800,735) which may be carried forward to apply against future income for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	$
2026	50,867
2027	120,919
2028	787,929
2029	439,066
2030	1,071,396
2031	1,849,928
2032	2,258,619
2033	1,980,085
2034	2,181,139
2035	1,612,912
2036	5,628,347
2037	1,770,841
2038	1,884,677
TOTAL	21,636,726

The Company has net capital loss carryforwards in Canada of approximately $600,389 (2017: $600,389) which may be carried forward indefinitely to apply against future capital gains for Canadian tax purposes, subject to the final determination by taxation authorities.

As at October 31, 2018, the Company has net operating loss carryforwards in the France of approximately $2,299,466 (2017: $2,834,407) which may be carried forward to apply against future year income tax for French income tax purposes, subject to the final determination by taxation authorities. To the extent that TFC continues the same business activities, the tax losses can reasonably be carried forward indefinitely.

22.COMMITMENTS

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.

23.FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

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

Financial Instruments classification and fair value

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

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

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

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

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

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

Risk management

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

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

(ii) Since the Company's functional currency is the Canadian dollar, it has a foreign exchange risk regarding its Euro obligations since it has a subsidiary in France. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% strengthening in the Canadian dollar against Euro would have a before-tax effect of $14,685 increase in accumulated other comprehensive income, based on amounts held at the year end.

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

(iv) Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions both liquidity and funding risk have been assessed as relatively low. The following table summarizes the significant remaining contracted payments of the Company's financial liabilities and capital expenditures as at October 31, 2018.

		Due by period				
	Total	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	$	$	$	$	$	$
Trade and other payables	442,620	442,620	-	-	-	-
Short-term loan	236,000	236,000				
Lease obligation	187,898	40,428	40,428	40,428	40,428	26,186
Convertible debentures	930,000	930,000	-			
Long-term debt	1,179,368	223,328	297,600	357,120	301,320	-
	2,975,885	1,872,375	338,028	397,548	341,748	26,186

Capital management

Capital is comprised of the Company's shareholders' deficit and long-term debt. As at October 31, 2018, this amounted to $1,304,927 (2017- $834,316). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the technology research. Therefore, the Company monitors the level of risk incurred in its technology research relative to its capital structure which is comprised of working capital and shareholders' equity.

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

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

24. GEOGRAPHIC SEGMENT AND ECONOMIC DEPENDENCE

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

The Company's net loss by geographic locations for the years ended October 31, 2018 and 2017 are as follows:

Net loss	**Year ended October 31, 2018**	**Year ended October 31, 2017**
	$	**$**
Canada	131,287	1,861,841
France	1,141,959	2,598,553
Total	1,273,246	4,460,394

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

Total Assets	**October 31, 2018**	**October 31, 2017**
	$	**$**
Canada	293,860	452,177
France	476,650	798,861
Total	770,510	1,251,038

25. SUBSEQUENT EVENTS

Subsequent to year end 2018, the Company borrowed $240,000 short term loans from a director. The loans are non-interest bearing and due on demand. Subsequently, $200,000 of this advance was repaid.

Subsequent to year ended 2018, the Company closed a non-brokered private placement for gross proceeds of $1,783,500. The private placement consists of 17,835,000 units at $0.10 per Unit. Each Unit consists of one common share and one transferable share purchase warrant, each whole warrant is exercisable into one additional common share of the Company for a period of 3 years from the date of issue at a price of $0.16 per share. The Company compensated finders by cash of $62,136 and 621,360 warrants in connection with the private placements.

Subsequent to year ended 2018, the Company granted incentive stock options under its Stock Option Plan to directors and officers of the Company for the purchase of up to 700,000 common shares at a price of

$0.12 per share. Directors will receive 400,000 options at $0.12 with a 5 year expiry and Officers will receive 300,000 options at $0.12 with a 10 year expiry.

Also see notes 14 and 19.