

# BIOHEP TECHNOLOGIES LTD.

Condensed Interim Financial Statements  
For the Six Months Ended July 31, 2020 and 2019

*(Unaudited)*

*(Expressed in Canadian dollars)*

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

Under National Instrument 51-102, continuous disclosure requirement, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these Unaudited Condensed Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants for a review of unaudited condensed interim financial statements by an entity's auditor.

BioHEP Technologies Ltd.  
Condensed Interim Statements of Financial Position  
*(Expressed in Canadian dollars)*

	As at July 31, 2020 (unaudited)	As at January 31, 2020 (audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 584,749	\$ 955,769
Accounts receivable	-	-
Prepaid expenses	-	-
GST receivable	4,175	3,354
Marketable securities (note 5)	596,573	200,111
	1,185,497	1,159,234
<b>NON-CURRENT ASSETS</b>		
Deferred income tax (note 6)	173,491	173,491
Biotechnology asset (note 7)	274,444	274,444
Investments (note 6)	529,398	421,802
<b>TOTAL ASSETS</b>	<b>\$ 2,162,830</b>	<b>\$ 2,028,971</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable (note 9)	\$ 4,825	\$ 2,698
Accrued liabilities	-	16,544
Income tax payable (note 12)	21,208	21,208
	26,033	40,450
<b>TOTAL LIABILITIES</b>	<b>26,033</b>	<b>40,450</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	614,845	614,845
Accumulated other comprehensive income (loss)	(595,820)	(703,416)
Retained earnings	2,117,772	2,077,092
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,136,797</b>	<b>1,988,521</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,162,830</b>	<b>\$ 2,028,971</b>

Nature of Operations and Going Concern (note 1)

These condensed interim financial statements were approved for issuance by the Board of Directors on September 28, 2020 and signed on its behalf by:

*"Chester Shynkaryk"*

Director

*"Donald Gordon"*

Director

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

BioHEP Technologies Ltd.  
Condensed Interim Statements of Operations and Comprehensive Income  
(Unaudited - Expressed in Canadian dollars)

	For the three months ended July 31, 2020	For the three months ended July 31, 2019	For the six months ended July 31, 2020	For the six months ended July 31, 2019
<b>EXPENSES</b>				
Administrative	\$ 156	\$ 2,579	\$ 223	\$ 5,122
Audit fees	3,653	12,146	3,653	15,146
Investor relations	-	-	-	-
Professional fees (note 9)	12,080	5,186	27,720	15,862
Management fees (note 9)	-	6,251	-	20,049
Transfer agent and regulatory	4,322	663	3,982	5,257
<b>TOTAL EXPENSES</b>	<b>\$ 20,211</b>	<b>\$ 26,825</b>	<b>\$ 35,578</b>	<b>\$ 61,436</b>
<b>LOSS FROM OPERATIONS</b>	<b>(20,211)</b>	<b>(26,825)</b>	<b>(35,578)</b>	<b>(61,436)</b>
<b>OTHER ITEMS:</b>				
Change in fair value of warrants	-	-	-	-
Unrealized gain (loss) on marketable securities	52,212	453,522	52,212	329,265
Gain on sale of investments	-	50,606	2,119	50,606
Reinvested dividends	-	-	-	289
Interest Income	-	-	185	728
Foreign exchange loss	(36,961)	-	21,742	34
<b>TOTAL OTHER ITEMS</b>	<b>\$ 15,251</b>	<b>\$ 504,128</b>	<b>\$ 76,258</b>	<b>\$ 380,921</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(4,960)</b>	<b>477,303</b>	<b>40,680</b>	<b>319,485</b>
<b>INCOME TAX EXPENSE</b> (note 5)	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,776</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (4,960)</b>	<b>\$ 477,303</b>	<b>\$ 40,680</b>	<b>\$ 336,261</b>
Items that will not be reclassified to net (loss) or income:				
Unrealized gain on investment	75,049	(1,113,366)	107,596	(2,550,017)
Deferred income tax expense	-	-	-	193,948
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 70,089</b>	<b>\$ (363,937)</b>	<b>\$ 148,276</b>	<b>\$ 195,351</b>
<b>Earnings per share - basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.05</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>
<b>Weighted average number of common shares outstanding</b>	<b>9,448,387</b>	<b>9,448,387</b>	<b>9,448,708</b>	<b>9,448,708</b>

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

BioHEP Technologies Ltd.  
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)  
(Unaudited - Expressed in Canadian dollars)

	Number of outstanding shares	Share capital	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
Balance, January 31, 2019	9,448,708	614,845	2,681,946	2,247,693	5,544,484
Unrealized gain on investment	-	-	(2,550,017)	-	(2,550,017)
Deferred income tax	-	-	193,948	-	193,948
Net Income	-	-	-	336,261	336,261
Balance, July 31, 2019	9,448,708	\$ 614,845	\$ 325,877	\$ 2,583,954	\$ 3,525,877
Unrealized gain on investment	-	-	(1,204,568)	-	(1,204,568)
Deferred income tax	-	-	175,275	-	175,275
Net loss	-	-	-	(506,862)	(506,862)
Balance, January 31, 2020	9,448,708	614,845	(703,416)	2,077,092	1,988,521
Unrealized gain on investment	-	-	107,596	-	107,596
Deferred income tax	-	-	-	-	-
Net Income	-	-	-	40,680	40,680
Balance, July 31, 2020	9,448,708	\$ 614,845	\$ (595,820)	\$ 2,117,772	\$ 2,136,979

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

BioHEP Technologies Ltd.  
 Statements of Cash Flows  
 (Unaudited) - Expressed in Canadian dollars

	For the six months ended July 31, 2020	For the six months ended July 31, 2019
<b>Cash and cash equivalents provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income for the period	\$ 40,680	\$ 336,261
Items not involving cash:		
Change in fair value of investments	(52,212)	(329,265)
Change in fair value of warrants	-	-
Gain on sale of investments	(2,119)	(50,606)
Income tax expense	-	(16,776)
	(13,651)	(60,386)
<b>Net changes in non-cash working capital items:</b>		
GST receivable	(821)	1,784
Prepaid expenses	-	5,000
Income tax payable	-	(143,282)
Accounts payable and accrued liabilities	(14,417)	(2,105)
<b>Net cash used in operating activities</b>	<b>(28,889)</b>	<b>(138,603)</b>
<b>INVESTING ACTIVITIES:</b>		
Share purchase	(344,250)	
Proceeds on sale of investments	2,119	292,725
<b>Net cash provided by investing activities</b>	<b>(342,131)</b>	<b>292,725</b>
Change in cash and cash equivalents	(371,020)	93,736
Cash and cash equivalents, beginning of the period	955,769	220,717
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 584,749</b>	<b>\$ 314,453</b>
<b>OTHER SUPPLEMENT INFORMATION</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ 143,282
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 584,749	\$ 12,583
Money market funds	-	301,870
<b>Total</b>	<b>\$ 584,749</b>	<b>\$ 314,453</b>

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS

BioHEP Technologies Ltd. (“BioHEP” or the “Company”) was incorporated under the British Columbia *Business Corporations Act* as a private company on February 11, 2014. On April 11, 2014, the Company completed a Plan of Arrangement (“Arrangement”) with Global Blockchain Technologies Corp. (“Global”) (formerly Carrus Capital Corporation). Under the terms of the Arrangement, the Company received substantially all of Global’s interest in the SB-9000 technologies by way of a statutory arrangement to allow Global to divest itself of certain biotechnology assets with \$nil carrying value, its investment in Spring Bank Pharmaceuticals Inc. (“Spring Bank”) of \$1,000 and \$5,000 cash to the Company. As consideration for the SB-9000 technologies, the Company issued 2,845,378 common shares to Global (“Arrangement Shares”), which were then distributed to the shareholders of Global pro rata based on their relative shareholdings of Global.

As a result of completing the Arrangement and subsequent to issuing the Arrangement Shares, the Company became a reporting issuer in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

The Company’s head office is located at 2820 – 200 Granville Street, Vancouver, British Columbia, V6C 1S4.

## 2. BASIS OF PRESENTATION

### [a] Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the fiscal year ended January 31, 2020, which have been prepared with International Financial Reporting Standards (“IFRS”).

### [b] Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### [c] Functional and foreign currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at period-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

### [d] Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand and highlight liquid money market funds convertible into cash in less than one month.

## 2. BASIS OF PRESENTATION (CONTINUED)

### [e] Significant accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company reviews its estimates and underlying assumptions on an ongoing basis.

### *Critical Judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed interim financial statements:

- i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, Intangible Assets. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have or will be expensed when incurred.
- ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- iii. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iv. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as liquidity of its assets, current working capital balance and future commitments of the Company.
- v. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

## 2. BASIS OF PRESENTATION (CONTINUED)

[e] Significant accounting estimates and judgments (continued)

### *Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management uses the Black-Scholes Option Pricing Model for valuation of investment in warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's results of operations.
- iii. The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.
- iv. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statements for the fiscal year ended January 31, 2019, with the exception of new standards recently adopted (note 4).

## 4. RECENT ACCOUNTING PRONOUNCEMENTS

### *New Standards Recently Adopted*

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16") which replaces IAS 17 - Leases ("IAS 17") and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

The Company adopted IFRS 16 on February 1, 2019 retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Company elected to measure its right of use assets at amounts equal to the associated lease liabilities; as such, the adjustment to retained earnings will be \$nil. There was no impact to the Statements of Operations or the Statements of Cash Flows as the Company has no lease obligations at July 31, 2020.

4-RECENT ACCOUNTING PRONOUNCEMENTS ( continued)

IFRIC 23 - Uncertainty over Income Tax Treatments (the "Interpretation") sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after February 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively. The Company does not expect the application of the Interpretation will have a significant impact on the Company's financial statements

5. MARKETABLE SECURITIES

The following summarizes the Company's investment:

	July 31, 2020					
	Number of Shares	Number of Warrants	Cost	Fair Value of Shares	Fair Value of Warrants	Total Fair Value
Trading securities						
Delcath Systems, Inc	250,000	-	344,250	396,462	-	396,462
Delcath Systems, Inc	250	5,952	331,100	102,398	97,713	200,111
			\$ 675,350	\$ 498,860	\$ 97,713	\$ 596,573

The warrants had a fair value became \$97,713 (July, 2019 - \$NIL) as at July 31, 2020. The related loss was recognized in the net income on the Statement of Operations at January 31, 2020. The Warrants were valued using using the Black-Scholes valuation method using the following assumptions:

July, 2020		
Share price	USD	11,84
Exercise price	USD	42.00
Expected life (years)		4.90
Interest rate		1.29%
Volatility		200%
Dividend yield		N/A
Estimated forfeitures		N/A

As at July 31, 2020, deferred income tax asset of \$17,684 (July 31, 2019- \$NIL) has been estimated using the 2020 tax rate of 27% applied to the unrealized loss to date on the Delcath shares.

## 6. INVESTMENTS

On April 11, 2014, Global assigned a biotechnology license agreement (the “Agreement”) to the Company as part of the Plan of Arrangement. The Agreement originally dated December 17, 2003, between Global and Spring Bank Pharmaceuticals Inc. (“Spring Bank”), a U.S. development stage company, granted Spring Bank the worldwide rights to a dinucleotide analogue compound (SB-9000) which was acquired by Global in September 2002 from Origenix Technologies Inc. As consideration related to the license granted, Spring Bank issued 1,000,000 Series A non-voting, convertible preferred shares of Spring Bank and 50,000 common shares of Spring Bank. In addition, the Company may receive in the future, payments related to the Agreement aggregating US\$3,500,000 upon the achievement of certain clinical development milestones and royalties on net sales and sublicensing revenues. Spring Bank is responsible for all development and related patent costs.

On February 1, 2016, the Company enter into an amended and restated license agreement with Spring Bank Pharmaceuticals, Inc. (“Spring Bank”) of Milford, MA (“New Agreement”). Under the amended and restated license agreement, the Company granted Spring Bank an exclusive worldwide license under certain patents and know-how to make, have made, use, sell, offer to sell and import certain product candidates comprising a novel phosphorothioate dinucleotide referred to as ORI-9020 and certain related compounds, for the diagnosis and/or treatment of all viral diseases and conditions. In exchange, the Company received the equivalent of an additional 250,000 common shares of Spring Bank and 125,000 share purchase warrants with an exercise price of USD\$16 per share, expiring on August 1, 2018.

During the year end January 31, 2020, the Company sold 80,000 (January 31, 2019 - NIL) Spring Bank shares for net proceeds of \$175,270 (January 31, 2019 - \$ NIL) with an adjusted cost base of \$398,374 (January 31, 2019 - \$NIL). A loss of \$223,105 (January 31, 2019 - \$NIL) was recognized in income for the year ended January 31, 2020.

The following summarizes the Company’s investment in Spring Bank as of:

	July 31, 2020			January 31, 2020		
	Number	Cost	Fair Value	Number	Cost	Fair Value
Trading equities						
Spring Bank common shares	255,000	\$1,269,818	\$529,398	255,000	\$1,269,818	\$421,802
		\$1,269,818	\$529,398		\$1,269,818	\$421,802

As at July 31, 2020, deferred income tax asset of \$ 142,937 (January 31, 2020- liability of \$114,482) has been estimated using the 2020 tax rate of 27% applied to the unrealized loss to date on the Spring Bank shares.

## 7. BIOTECHNOLOGY ASSET & LICENSE

On September 27, 2017 the Company closed the asset sale agreement (“Assignment Agreement”) entered into on April 21, 2017 between the Company and Exro Technologies Inc. (formerly BioDE Ventures Ltd.) (“BioDE”). Pursuant to this agreement, BioDE assigned to the Company a license agreement and certain related patents for \$450,000 which was paid by the Company by issuing 448,321 shares to BioDE and paying \$1,679 in cash. The technology was licensed to Cutanea Lifesciences Inc. (“Cutanea”) (note 11) until March 25, 2019 when Cutanea entered into a Share purchase and Transfer Agreement with Biofrontera Newderm LLC, Biofrontera AG, and Maruho Co., Ltd., Japan, pursuant to which the license agreement was assigned to Maruho. As at January 31, 2020, the technology was licensed to Maruho.

Amortization cost was \$175,556 for the period ended July 31, 2020 (July 31, 2019 - \$NIL) for carrying value of \$274,444 (July 31, 2019- \$450,000) as at July 31, 2020.

## 8. SHARE CAPITAL

### [a] Authorized common shares

There are an unlimited number of common shares without par value authorized for issue.

### [b] Issued

There were no share capital transactions during the three months ended April 30, 2019 and 2018.

### [c] Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

During the six months ended July 31, 2020, no options were granted, expired or cancelled. As at July 31, 2020, the number of outstanding options is nil (January 31, 2020 – nil).

## 9. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. During the six months ended July 31, 2020 and 2019, key management personnel were not paid any compensation, nor did they receive any employment benefits or other incentives such as stock options.

During the six months ended July 31, 2020, the Company incurred \$15,000 for consulting fees (2019 – \$NIL) provided by an entity controlled by a director.

During the six months ended July 31, 2020, the Company incurred \$Nil for management fees (2019 – \$20,049) provided by an entity controlled by an insider of the Company. At July 31, 2020, there is \$Nil included in accrued liabilities due to this entity (2019 – \$4,000).

## 10. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as fair value through profit or loss, accounts payable and accrued liabilities, and notes payable, as amortized cost. The Company's investments are classified as FVOCI. Its marketable securities and investment in warrants are classified as FVTPL.

### Fair value

At July 31, 2020 and January 31, 2020, the carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate their fair values due their short-term maturity.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
<b>July 31, 2020</b>				
Cash and cash equivalents	\$ 584,749	\$ -	\$ -	\$ 584,749
Marketable securities	596,573	-	-	596,573
Investments	529,398	-	-	529,398
	<u>\$ 1,710,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710,720</u>
<b>January 31, 2020</b>				
Cash and cash equivalents	\$ 955,769	\$ -	\$ -	\$ 955,769
Marketable securities	200,111	-	-	200,111
Investments	421,802	-	-	421,802
	<u>\$ 1,577,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,577,682</u>

Fair values of the Company's financial instruments, which consist of cash, accounts receivable, accounts payable, accrued liabilities, and income taxes payable, approximate their carrying value due to the relatively short-term maturity of these investments.

### Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at July 31, 2020, the Company's exposure to credit risk is the carrying value of cash and cash equivalents. The Company reduces its credit risk by holding its cash and cash equivalents at a major Canadian financial institution and its money market funds are held within a notable low risk fund.

## 10. FINANCIAL INSTRUMENTS (continued)

### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company currently does have adequate cash to meet short-term business requirements. At July 31, 2020, the Company had cash and cash equivalents of \$584,749 and accounts payable and accrued liabilities of \$4,825. All accounts payable and accrued liabilities are due within 90 days, interest expense is due annually and taxes are due within two months of year end.

### *Market risk*

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

### *Currency risk*

Currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at July 31, 2020, Company held 255,000 shares in a NASDAQ listed company with a market value of US\$1.55, 250 shares with value US\$309.52 per share and cash US \$428,039. The Company therefore has exposure to fluctuations in the Canadian dollar - United States dollar exchange rate. The Company has determined that a 10% change in foreign exchange rates would affect the fair value of total assets by approximately \$149,918.

### *Interest rate risk*

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

### *Other price risk*

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk on its investments due to fluctuations in the current market prices and fluctuations in trading volumes of those securities.

## 11. SEGMENTED REPORTING

The Company has one operating segment, investment in biotechnology, and all assets of the Company are located in Canada.