

BIOHEP TECHNOLOGIES LTD.

Financial Statements

For the Years Ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

p | 604.683.3277
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE
555 BURRARD STREET
BOX 243
VANCOUVER, BC V7X 1M9



charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
BioHEP Technologies Ltd.

Opinion

We have audited the financial statements of BioHEP Technologies Ltd. (the "Company"), which comprise the statements of financial position as at January 31, 2020 and January 31, 2019, and the statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2020 and January 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

1735-555 Burrard Street
Vancouver, BC
V7X 1M9

June 16, 2020

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

	As at January 31, 2020	As at January 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 955,769	\$ 220,717
Accounts receivable	-	4,190
Prepaid expenses	-	9,233
GST receivable	3,354	3,392
Marketable securities (note 5)	200,111	700,373
	1,159,234	937,905
NON-CURRENT ASSETS		
Deferred income tax (note 6)	173,491	-
Biotechnology asset (note 7)	274,444	450,000
Investments (note 6)	421,802	4,768,709
TOTAL ASSETS	\$ 2,028,971	\$ 6,156,614
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (note 9)	\$ 2,698	\$ 4,349
Accrued liabilities	16,544	16,756
Income tax payable (note 12)	21,208	143,282
	40,450	164,387
NON-CURRENT LIABILITIES		
Deferred income tax (note 6)	-	447,743
TOTAL LIABILITIES	40,450	612,130
SHAREHOLDERS' EQUITY		
Share capital (note 8)	614,845	614,845
Accumulated other comprehensive income (loss)	(703,416)	2,681,946
Retained earnings	2,077,092	2,247,693
TOTAL SHAREHOLDERS' EQUITY	1,988,521	5,544,484
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,028,971	\$ 6,156,614

Subsequent Event (note 15)

These financial statements were approved for issuance by the Board of Directors on June 16, 2020 and signed on its behalf by:

"Chester Shynkaryk"

Director

"Donald Gordon"

Director

The accompanying notes are an integral part of these financial statements

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

	For the year ended January 31, 2020	For the year ended January 31, 2019
REVENUE (note 11)	\$ -	\$ 655,485
EXPENSES		
Administrative	9,514	1,251
Amortization	175,556	-
Audit fees	12,146	12,240
Bad Debt	4,190	-
Consulting fees (note 9)	12,540	-
Investor communication	1,710	2,232
Professional fees (note 9)	20,977	38,914
Management fees (note 9)	30,920	59,733
Transfer agent and regulatory	11,488	11,957
Rent expense	2,441	-
Foreign exchange (gain) loss	(10,548)	457
TOTAL EXPENSES	270,934	126,784
INCOME (LOSS) FROM OPERATIONS	(270,934)	528,701
OTHER ITEMS:		
Gain on sale of investments (note 6)	190,286	-
Impairment of investment (note 6)	(130,989)	(205,509)
Unrealized gain on marketable securities (note 5)	1,064	216,098
Reinvested dividends	545	1,384
Interest Income	2,584	2,462
TOTAL OTHER ITEMS	63,490	14,435
INCOME (LOSS) BEFORE INCOME TAX	(207,444)	543,136
INCOME TAX EXPENSE (note 12)		
Current income tax (expense) recovery	(21,208)	(144,398)
Deferred income tax recovery (expense)	58,051	(1,429)
	36,843	(145,827)
NET INCOME (LOSS)	(170,601)	397,309
Items that will not be reclassified to net (loss) or income:		
Unrealized gain (loss) on investment	(3,948,533)	(333,714)
Deferred income tax recovery (expense) (note 6)	563,171	45,050
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ (3,555,963)	\$ 108,645
Earnings (loss) per share - basic and diluted	\$ (0.02)	\$ 0.04
Weighted average number of common shares outstanding	9,448,708	9,448,708

The accompanying notes are an integral part of these financial statements

BioHEP Technologies Ltd.
 Statements of Changes in Shareholders' Equity
 (Expressed in Canadian dollars)

	Number of outstanding shares	Share capital	Reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
Balance, January 31, 2018	9,448,708	\$ 614,845	\$ -	\$ 2,970,610	\$ 1,850,384	\$ 5,435,839
Unrealized gain on investment	-	-	-	(333,714)	-	(333,714)
Deferred income tax	-	-	-	45,050	-	45,050
Net Income	-	-	-	-	397,309	397,309
Balance, January 31, 2019	9,448,708	\$ 614,845	\$ -	\$ 2,681,946	\$ 2,247,693	\$ 5,544,484
Unrealized gain on investment	-	-	-	(3,948,533)	-	(3,948,533)
Deferred income tax	-	-	-	563,171	-	563,171
Net Income	-	-	-	-	(170,601)	(170,601)
Balance, January 31, 2020	9,448,708	\$ 614,845	\$ -	\$ (703,416)	\$ 2,077,092	\$ 1,988,521

The accompanying notes are an integral part of these financial statements

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

	For the year ended January 31, 2020	For the year ended January 31, 2019
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (170,601)	\$ 397,309
Items not involving cash:		
Amortization	175,556	-
Change in fair value of investments	129,925	205,509
Gain on sale of investments	(190,286)	-
Unrealized gain on marketable securities	-	(216,098)
Income tax expense	(58,051)	1,429
	(113,457)	388,149
Net changes in non-cash working capital items:		
Accounts Receivable	4,190	(4,190)
GST receivable	38	(2,482)
Prepaid expenses	9,233	(9,233)
Income tax payable	(122,086)	157,922
Accounts payable and accrued liabilities	(17)	2,594
Net cash provided by (used in) operating activities	(222,099)	532,760
INVESTING ACTIVITIES:		
Acquisition of Acasti Pharma Inc. shares	-	(484,275)
Acquisition of Delcath Systems, Inc shares	(331,100)	-
Proceeds on sale of investments	1,288,251	-
Net cash provided by (used in) investing activities	957,151	(484,275)
Change in cash and cash equivalents	735,052	48,485
Cash and cash equivalents, beginning of the year	220,717	172,232
Cash and cash equivalents, end of the year	\$ 955,769	\$ 220,717
OTHER SUPPLEMENTAL INFORMATION		
Cash and cash equivalents consist of:		
Cash	\$ 410,446	\$ 156,452
Short-term investments	545,323	64,265
Total	\$ 955,769	\$ 220,717

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 440 - 890 West Pender Street, Vancouver, British Columbia, V6C 1J9.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

[b] Basis of measurement

These 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

[c] Functional and foreign currency

These 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, treasury bills, 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 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 financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 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

The following is a summary of significant accounting policies:

[a] Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of February 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[a] Financial instruments (continued)

(i) Classification (continued)

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Investments in Spring Bank	AFS	FVOCI
Investment in Acasti Pharma Inc.	AFS	FVTPL
Investments in Delcath Systems, Inc.	AFS	FVTPL
Investment in warrants	AFS	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on February 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditures expected to be required to settle the obligation. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The increase in any provision due to the passage of time is recognized as accretion expense. Each provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

[c] Share capital

Common shares and obligation to issue shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in warrants reserve is transferred to capital stock.

[d] Revenue recognition

Licensing revenues comprise initial fees and milestone payments derived from licensing arrangements. Non-refundable milestone payments received are recognized upon the achievement of specified milestones when the milestone payment is substantive in nature, the achievement of the milestone was not reasonably assured at the inception of the agreement and the Company has no further significant involvement or obligation to perform under the arrangement. Initial fees and milestone payments received which require the ongoing involvement of the Company, are deferred and amortized into income on a straight-line basis over the period of the ongoing involvement of the Company. Revenues associated with multiple element arrangements are attributed to the various elements based on their relative fair values.

Management has determined there is no impact on their revenues from adoption of IFRS 15 – *Revenue from Contracts with Customers*.

[e] Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

[f] Income taxes

Income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[f] Income taxes (continued)

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates.

[a] IFRS 16 - Leases

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 will apply IFRS 16 on its effective date of 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 has 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. The Company does not expect there will be a material impact to the Statements of Operations or the Statements of Cash Flows as the Company has no lease obligations at January 31, 2020.

[b] IFRIC 23 - Uncertainty over Income Tax Treatments

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:

	January 31, 2020					
	Number of Shares	Number of Warrants	Cost	Fair Value of Shares	Fair Value of Warrants	Total Fair Value
Trading securities						
Acasti Pharma Inc.	-	-	\$ -	\$ -	\$ -	\$ -
Delcath Systems, Inc.	250	5,952	331,100	102,398	97,713	200,111
			\$ 331,100	\$ 102,398	\$ 97,713	\$ 200,111

	January 31, 2019					
	Number	Number of Warrants	Cost	Fair Value of Shares	Fair Value of Warrants	Total Fair Value
Trading securities						
Acasti Pharma Inc.	500,000	-	\$ 484,275	\$ 700,373	\$ -	\$ 700,373
			\$ 484,275	\$ 700,373	\$ -	\$ 700,373

In October the Company purchased 250 Units of Delcath Systems, Inc. at \$1,000 per unit against for \$331,100 (\$250,000 USD). Each Unit is composed of one Preferred share and 16,667 warrants. The 4,166,667 warrants are exercisable for a term of 5 years, from date of the reverse split, each warrant exercisable into one share at a strike price of \$.06. On December 24, 2019, the reverse split was on a 700 old for 1 new basis. After the reverse split, there were 5,952 warrants held. The unrealized loss of \$130,989 related to the decrease in fair value was recognized in net income on the Statement of Operations.

The warrants had a fair value became \$97,713 (January 31, 2019 - \$NIL) as at January 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:

	January 31, 2020	
Share price	USD	13.00
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 January 31, 2020, deferred income tax asset of \$17,684 (January 31, 2019- \$NIL) has been estimated using the 2020 tax rate of 27% applied to the unrealized loss to date on the Delcath shares.

During the year ended January 31, 2019, the Company purchased 500,000 shares of Acasti Pharma Inc. for \$484,275. The fair value of the investment at January 31, 2019 was \$700,373. During the year ended January 31, 2019, the unrealized gain \$216,098 related to the increase in fair value was recognized in net income on the Statement of Operations.

During the year ended January 31, 2020, the Company sold 500,000 (January 31, 2019 - NIL) shares of Acasti Pharma Inc. for \$1,112,981. The realized gain \$412,608 was recognized in net income on the Statement of Operations.

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:

	January 31, 2020			January 31, 2019		
	Number	Cost	Fair Value	Number	Cost	Fair Value
Trading equities						
Spring Bank common shares	255,000	\$1,269,818	\$421,802	335,000	\$1,668,191	\$4,768,709
		\$1,269,818	\$421,802		\$1,668,191	\$4,768,709

As at January 31, 2020, deferred income tax asset of \$ 114,482 (January 31, 2019- liability of \$447,743) 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 year ended January 31, 2020 (January 31, 2019 - \$NIL) for carrying value of \$274,444 (January 31, 2019 - \$450,000) as at January 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 year ended January 31, 2020 or 2019.

8. SHARE CAPITAL (CONTINUED)

[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 year ended January 31, 2020, no options were granted, expired or cancelled. As at January 31, 2020, the number of outstanding options is NIL (January 31, 2019 – NIL).

9. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. During the year ended January 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 year ended January 31, 2020, the Company incurred \$15,903 for professional fees (January 31, 2019 – \$33,440) provided by an entity controlled by the Company’s Corporate Secretary and is indebted to this entity at January 31, 2020 for an amount of \$NIL (January 31, 2019 - \$4,189), included in accounts payable.

During the year ended January 31, 2020, the Company incurred \$12,500 for consulting fees (January 31, 2019 – \$NIL) provided by an entity controlled by a director.

During the year ended January 31, 2020, the Company incurred \$30,920 for management fees (January 31, 2019 – \$59,733) provided by an entity controlled by an insider of the Company. At January 31, 2020, there is \$1,000 included in accrued liabilities due to this entity (January 31, 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 January 31, 2020 and January 31, 2019, 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 six 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.

10. FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
January 31, 2020				
Cash and cash equivalents	\$ 955,769	\$ -	\$ -	\$ 955,769
Marketable securities	200,111	-	-	200,111
Investments	421,802	-	-	421,802
	\$ 1,577,682	\$ -	\$ -	\$ 1,577,682
January 31, 2019				
Cash and cash equivalents	\$ 220,717	\$ -	\$ -	\$ 220,717
Marketable securities	700,373	-	-	700,373
Investments	4,768,709	-	-	4,768,709
	\$ 5,689,799	\$ -	\$ -	\$ 5,689,799

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 January 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.

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 January 31, 2020, the Company had cash and cash equivalents of \$955,769 and accounts payable and accrued liabilities of \$19,242. 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 January 31, 2020, the Company held 255,000 shares in a NASDAQ listed company with a market value of US\$1.25 per share, 413,000 US T bills with market value of 412,093 USD, 250 shares with value US\$309.52 per share and cash US \$301,784. 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 \$146,887.

10. FINANCIAL INSTRUMENTS (CONTINUED)

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. LICENSE FEE INCOME

During the period ended January 31, 2020, the Company received a \$NIL (2019- \$655,485) clinical development milestone payment from Cutanea pursuant to the terms of its license agreement.

12. INCOME TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2020	2019
Income (loss) before taxes	\$ (207,444)	\$ 543,136
Canadian statutory tax rate	27%	27%
Income tax expense (recovery) computed at statutory rates	(56,010)	146,647
Items not deductible (taxable) for tax purposes	38,330	(1,851)
Taxable capital gains	54,898	-
Other	(16,010)	1,031
Income tax expense	\$ 21,208	\$ 145,827
Current income tax expense (recovery)	\$ 21,208	\$ 144,398
Deferred Income tax Expense (recovery)	(58,051)	1,429
Income tax expense (recovery)	\$ (36,843)	\$ 145,827

12. INCOME TAXES (CONTINUED)

The components of the Company's deferred income tax (liability) asset are a result of the origination and reversal of temporary differences and are comprised of the following:

	2020	2019
Non-capital losses	\$ -	\$ -
Unrealized (gain) loss on marketable securities and investments	173,491	(447,743)
Recognized deferred tax assets	\$ 173,491	\$ -
Recognized deferred income tax liability	-	(447,743)

At January 31, 2020 the non-capital tax losses was \$NIL (January 31, 2019 - \$NIL) available for carry-forward to reduce future years' taxable income.

13. MANAGEMENT OF CAPITAL

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of financial information. The Company considers its capital as all components of shareholders' equity. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its operations and business plan development. To secure the additional capital necessary to pursue these plans, the Company intends sell investments or raise additional funds through equity or debt financing. The Company is not subject to any externally imposed capital requirements.

14. SEGMENTED REPORTING

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

15. SUBSEQUENT EVENT

Subsequent to the reporting period, the Delcath Systems, Inc. preferred shares were converted to common shares at a conversion rate of US\$10.00 per share, and the warrant strike price was set at each warrant exercisable at US\$10.00 per share.