SERNOVA CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
OCTOBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

700 Collip Circle
The Stiller Centre, Suite 114
London, ON
N6G 4X8
www.sernova.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sernova Corp.

Opinion

We have audited the accompanying consolidated financial statements of Sernova Corp. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated 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 consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Company to express an opinion on the consolidated 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 Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada | Chartered Professional Accountants

February 13, 2020

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31,
(Expressed in Canadian Dollars)

	Note	**2019**	**2018**
ASSETS			
Current assets			
Cash		$ 1,797,138	$ 1,739,346
Marketable securities		2,006,999	1,003,974
Amounts receivable	4	735,042	471,631
Prepaid expenses		777,860	101,260
Total current assets		5,317,039	3,316,211
Non-current assets			
Property and equipment, net	5	251,502	288,977
Total non-current assets		251,502	288,977
Total assets		$ 5,568,541	$ 3,605,188
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 686,823	$ 341,202
Total current liabilities		686,823	341,202
EQUITY			
Common shares	7	41,305,138	33,891,140
Special warrants	7	-	2,534,987
Warrants	7	1,106,278	1,051,106
Contributed surplus		4,932,406	4,277,585
Deficit		(42,462,104)	(38,490,832)
Total equity		4,881,718	3,263,986
Total liabilities and equity		$ 5,568,541	$ 3,605,188

Nature and Continuance of Operations (Note 1)
Deferred Grants, Commitments and Contingencies (Note 10)
Events After The Reporting Period (Note 14)

Approved and authorized by the Board of Directors on February 12, 2020:

''Frank Holler'' Director *''James Parsons''* Director
Frank Holler James Parsons

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)

	Note	2019	2018
EXPENSES			
Research and development	9	$ 2,010,213	$ 2,231,455
General and administrative	9	1,997,926	1,474,980
		4,008,139	3,706,435
OTHER EXPENSE (INCOME)			
Interest income		(38,465)	(27,749)
Finance costs		7,268	9,705
Foreign exchange (gain) loss		(5,670)	10,236
		(36,867)	(7,808)
Net loss and comprehensive loss		$ 3,971,272	$ 3,698,627
Weighted average number of common shares outstanding – basic and diluted		175,881,455	159,461,142
Basic and diluted loss per common share		$ 0.02	$ 0.02

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	$ (3,971,272)	$ (3,698,627)
Adjustments for items not affecting cash:		
Depreciation	61,475	64,529
Share-based compensation	875,768	526,079
Interest accrued on marketable securities	(6,999)	(3,974)
Grant contributions	(906,436)	(662,329)
Changes in non-cash working capital balances:		
Amounts receivable	107,588	62,700
Prepaid expenses	(676,600)	(61,475)
Accounts payable and accrued liabilities	324,086	(142,914)
Cash used in operating activities	(4,192,390)	(3,916,011)
INVESTING ACTIVITIES		
Marketable securities, net	(996,024)	4,374
Acquisition of property and equipment	(24,000)	(115,032)
Cash used in investing activities	(1,020,024)	(110,658)
FINANCING ACTIVITIES		
Proceeds from unit financing, net	4,561,760	-
Proceeds from special warrant financing, net	-	2,613,383
Special warrant conversion costs	(14,490)	-
Proceeds from exercise of warrants	-	162,960
Proceeds from exercise of stock options	187,500	30,389
Grant contributions	535,436	331,770
Cash provided by financing activities	5,270,206	3,138,502
Change in cash during the year	57,792	(888,167)
Cash, beginning of year	1,739,346	2,627,513
Cash, end of year	$ 1,797,138	$ 1,739,346

Supplementary cash flow information:

	2019	2018
Finders warrants issued	$ 55,172	$ 57,746
Grant contributions accrued through amounts receivable	592,407	224,729
Share issuance costs accrued through accounts payable and accrued liabilities	42,184	20,650
Income taxes paid	-	-
Interest received	31,325	32,086

See accompanying notes to the consolidated financial statements.

SERNOVA CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)

	Common Shares	(Note 7)	Special Warrants	Warrants			
	Number	Amount	Amount	Amount	Contributed Surplus	Deficit	Total
Balance, October 31, 2018	159,971,348	$ 33,891,140	$ 2,534,987	$ 1,051,106	$ 4,277,585	$ (38,490,832)	$ 3,263,986
Net loss and comprehensive loss for the year	–	–	–	–	–	(3,971,272)	(3,971,272)
Transactions with owners of the Company, recognized directly in equity:							
Conversion of Special Warants	11,016,000	2,520,497	(2,520,497)	–	–	–	–
Special Warrants conversion costs			(14,490)				(14,490)
Unit financing, net of issuance costs	23,422,822	4,485,054	–	55,172	–	–	4,540,226
Exercise of stock options	1,250,000	343,856	–	–	(156,356)	–	187,500
Issued for equity-settlement of deferred stock units	284,944	64,591	–	–	(64,591)	–	–
Share-based compensation	–	–	–	–	875,768	–	875,768
Balance, October 31, 2019	195,945,114	$ 41,305,138	$ –	$ 1,106,278	$ 4,932,406	$(42,462,104)	$ 4,881,718
Balance, October 31, 2017	159,374,498	$ 33,673,521	$ –	$ 993,360	$ 3,775,776	$ (34,792,205)	$ 3,650,452
Net loss and comprehensive loss for the year	–	–	–	–	–	(3,698,627)	(3,698,627)
Transactions with owners of the Company, recognized directly in equity:							
Exercise of stock options	131,250	54,659	–	–	(24,270)	–	30,389
Exercise of warrants	465,600	162,960	–	–	–	–	162,960
Special Warrant financing, net of issuance costs	–	–	2,534,987	57,746	–	–	2,592,733
Share-based compensation	–	–	–	–	526,079	–	526,079
Balance, October 31, 2018	159,971,348	$ 33,891,140	$ 2,534,987	$ 1,051,106	$ 4,277,585	$ (38,490,832)	$ 3,263,986

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Sernova Corp. (the "Company") is a clinical-stage regenerative medicine therapeutics company, focused on developing and commercializing its proprietary Cell Pouch and associated technologies including therapeutic cells and local immune protection. The Cell Pouch is a scalable, implantable, medical device, designed to create a vascularized tissue environment for the transplantation and engraftment of therapeutic cells, which then release proteins and/or hormones for the long-term treatment of a number of serious, chronic diseases such as diabetes, hemophilia and thyroid disease.

Sernova Corp. was incorporated under the Company Act (British Columbia) on August 19, 1998. Effective May 29, 2001, the Company was continued under the Canada Business Corporations Act.

The Company's head office is located at 700 Collip Circle, Suite 114, London, Ontario, N6G 4X8. The Company's registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 2N7. The Company is listed on the TSX Venture Exchange (the "Exchange") under the symbol SVA, on the OTCQB Venture Market under the symbol SEOVF and on the Frankfurt Exchange under the symbol PSH.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and cash outflows from operations since its inception, and accordingly, it will require ongoing financing in order to continue its research and development activities. The ability of the Company to continue as a going concern in the long-term depends upon its ability to develop profitable operations and to continue to raise adequate financing. The Company will seek new funding from additional equity financings and/or licensing agreements and collaborations with development partners. Based on historical and future projected operations, the Company expects current cash and marketable securities of $3.8 million to be sufficient to fund the Company's operating requirements for at least the next 12 months.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are based on IFRS issued and in effect as of February 12, 2020, the date the Board of Directors approved these statements.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value though profit or loss, which are stated at their fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned and controlled subsidiaries.

(d) Use of significant estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets, liabilities and expenses, as well as the Company's ability to continue as a going concern. The estimates and assumptions made are continually evaluated and have been based on historical experience and other factors,

2. BASIS OF PRESENTATION (cont'd …)

(d) Use of significant estimates and assumptions (cont'd …)

including expectations of future events that are believed to be reasonable under the circumstances. Such estimates and assumptions are inherently uncertain. Actual results could differ materially from these estimates and assumptions. Revisions to estimates are recognized in the period in which the estimate is revised and may impact future periods.

Management has applied significant estimates and assumptions to the following:

Going concern
In the preparation of the consolidated financial statements, management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the statement of financial position date. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The Company's ability to continue as a going concern for the next twelve months involves significant judgment. The Company will require ongoing financing in order to continue research and development activities, as it has not earned significant revenue or reached successful commercialization of its products. After considering its plans to mitigate the going concern risk, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for a period of twelve months from the statement of financial position date.

Valuation of share-based compensation and warrants
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected: option life, volatility, risk-free interest rate, forfeiture rates, stock option exercise behaviours, dividend yield and corporate performance. Changes in these assumptions affect the fair value estimate for share-based compensation.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's principal accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows: monetary assets and liabilities at the closing rate at the date of the statement of financial position, non-monetary assets at historical rates, and income and expenses at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term money market investments that are readily convertible to cash with original terms of three months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment**.**

The estimated useful lives and the methods of depreciation are reviewed annually and have been calculated as follows:

Office equipment	20% declining balance
Computer equipment	30% declining balance
Laboratory equipment	20% declining balance
Manufacturing equipment	20% declining balance

(d) Impairment

Financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Company applies a forward-looking expected credit loss ("ECL") model, which requires a loss allowance be recognized based on expected credit losses, to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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 such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a 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 or cash-generating unit. For the purpose 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 cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses for intangible assets are recognized in research and development expenses.

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 if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(d) Impairment (cont'd …)

does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Provisions

Provisions are recognized when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

(f) Government assistance

Government assistance is recognized where there is reasonable assurance that the assistance will be received and any attached conditions will be complied with. When the assistance relates to an expense item, it is recognized as income over the period necessary to match the amount to the costs that it is intended to compensate. When the assistance relates to an asset, it is recognized as deferred government assistance and released to income over the expected useful life of the related asset.

Non-repayable government assistance relating to research and development is recorded as a reduction of expenditures when directly related to such expenditures. Assistance in excess of expenditures are deferred to future periods, to be offset against any future expenditure to be incurred or credited to development costs if they exceed future expenditures on that project.

(g) Research and development costs

Expenditures on research and development 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. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(h) Share-based compensation

The Company may grant stock options to its directors, officers, employees and consultants and deferred share units ("DSUs") to its directors and officers. The Company records share-based compensation related to stock options using the fair value method using the Black-Scholes option pricing model. The Company records share-based compensation related to DSUs using the fair value of the Company's common shares on the date of grant of the DSU.

The grant-date fair value of the stock options and DSUs are recognized, together with a corresponding increase in contributed surplus, over the period that the performance and/or service conditions are fulfilled. The amount recognized as an expense at each reporting date is adjusted to reflect the number of awards for which the related service and non-market conditions are expected to be met at the vesting date.

For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in contributed surplus, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted.

(i) Income taxes

Income tax expense comprises current and deferred taxes which are recognized in profit and loss, except to the extent that they relate to items recognized directly in other comprehensive income or in equity.

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities and any adjustment to tax payable in respect of previous years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date in the countries where the company operates. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

Investment tax credits related to research and development expenditures are recorded as government assistance when there is reasonable assurance they will be collected. Investment tax credits can be subject to government audits, so the amount received by the Company may differ from the amounts recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(j) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, DSUs and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, DSUs and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options, DSUs and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

(k) Financial instruments

Classification and Measurement of Financial Instruments

At initial recognition, the Company measures a financial instrument at its fair value plus, in the case of a financial instrument not at fair value through profit (loss), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at fair value through profit (loss) are expensed in profit (loss).

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Company classifies its financial instruments:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Finance income from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- Fair value through other comprehensive income ("FVOCI"): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in net income (loss).
- Fair value through profit (loss) ("FVTPL"): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) in the period in which it arises.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL if eligible.

The Company's marketable securities include guaranteed investment certificates ("GICs") held by the Company are measured at amortized cost. The Company intends to hold the GICs to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(k) Financial instruments (cont'd…)

Impairment of Financial Assets

The Company's financial assets cash, marketable securities and amounts receivable are subject to the ECL model. Financial assets measured at amortized cost and subject to the ECL model consist of marketable securities and amounts receivable. Marketable securities at amortized cost are considered to be low risk, and therefore the impairment provision is determined using a twelve month expected credit loss basis. No impairment in the Company's financial assets was identified as at October 31, 2019.

(l) Recent changes in accounting standards

New accounting standards adopted in the fiscal year

IFRS 15 *Revenues from Contracts with Customers* ("IFRS 15")
The adoption of IFRS 15 Revenue from Contracts with customers using the modified retrospective and the completed contract practical expedient approaches on November 1, 2018 (the date of initial application of IFRS 15) does result in a change in accounting policy. However, the adoption did not have a material impact on the financial statements, and as a result the 2018 comparatives are not required to be restated. The new standard replaces IAS 18, Revenue, IAS 11 Construction Contracts, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. The modified retrospective approach results in the cumulative effect, if any, of adoption being recognized at the date of initial application. The Company currently has no product sales or significant sources of revenue, therefore there is no effect upon initial application.

New accounting standards and interpretations not yet effective

IFRS 16 *Leases* ("IFRS 16")
In January 2016, the IASB issued IFRS 16 *Leases*, its new lease standard that requires lessees to recognize assets and liabilities for most leases on the statement of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019 with limited early application permitted. The Company plans to apply IFRS 16 effective November 1, 2019. The Company has an office and lab lease agreement which is expected to be recorded as a right-of-use asset and a lease liability under IFRS 16. The Company estimates at November 1, 2019, it will record a right-of use asset and related lease liability of approximately $91,300.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

As at October 31,	2019	2018
Grant contributions receivable (Note 10)	$ 592,407	$ 224,729
GST and other tax credits receivable	126,270	246,902
Other	16,365	-
	$ 735,042	$ 471,631

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Laboratory Equipment	Manufacturing Equipment	Total
Cost				
Balance, October 31, 2017	$ 77,091	$ 127,548	$ 105,098	$ 309,737
Additions	9,371	105,661	-	115,032
Balance, October 31, 2018	86,462	233,209	105,098	424,769
Additions	-	24,000	-	24,000
Balance, October 31, 2019	$ 86,462	$ 257,209	$ 105,098	$ 448,769
Accumulated depreciation				
Balance, October 31, 2017	$ 35,413	$ 34,098	$ 1,752	$ 71,263
Depreciation	11,285	34,075	19,169	64,529
Balance, October 31, 2018	46,698	68,173	20,921	$ 135,792
Depreciation	10,796	35,065	15,614	61,475
Balance, October 31, 2019	$ 57,494	$ 103,238	$ 36,535	$ 197,267
Net carrying amounts				
October 31, 2018	$ 39,764	$ 165,036	$ 84,177	$ 288,977
October 31, 2019	$ 28,968	$ 153,971	$ 68,563	$ 251,502

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at October 31,	2019	2018
Trades payable	$ 472,888	$ 182,566
Accrued liabilities	156,957	97,280
Due to related parties (Note 8)	56,978	61,356
	$ 686,823	$ 341,202

7. COMMON SHARES AND WARRANTS

(a) Authorized

Unlimited number of common shares, without par value.

(b) Share Capital Changes

For the year ended October 31, 2019, 23,422,822 units (including 23,422,822 common shares and common share purchase warrants) were issued for gross proceeds of $4,684,564 and 1,250,000 stock options were exercised for gross proceeds of $187,500. Special Warrants outstanding were also converted into units during the fiscal year resulting in the issuance of 11,016,000 common shares and common share purchase warrants for no additional consideration. In addition, 284,944 common shares were issued for the equity-settlement of DSUs held by a director who completed his service to the Company.

For the year ended October 31, 2018, 131,250 stock options were exercised for gross proceeds of $30,389 and 465,600 warrants were exercised for gross proceeds of $162,960.

7. COMMON SHARES AND WARRANTS (cont'd…)

(c) Units financing

Over multiple closings in August and September 2019, the Company completed a non-brokered private placement issuing a total of 23,422,822 units at $0.20 per unit ("Unit") for gross proceeds of $4,684,564. Each Unit consisted of one common share and one common share purchase warrant, each warrant being exercisable into one common share at a price of $0.30 per share for a period of 36 months.

The Company incurred legal costs and finders' fees totaling $144,338 and issued 391,125 finder warrants valued at $55,172. The value of these finders warrants was determined using the Black-Scholes Model based on the following assumptions: an exercise price of $0.30 per common share, expected life of 3 years, volatility of 134% and a risk-free interest rate of 1.33%.

(d) Special warrants

On July 13, 2018 and July 20, 2018, the Company completed a non-brokered private placement of 8,000,000 and 3,016,000 special warrants at $0.25 per special warrant for gross proceeds of $2,000,000 and $754,000, respectively.

The Company paid legal costs and finders fees totaling $161,267 and granted 581,700 non-transferable finder warrants valued at $57,746. The value of these finders warrants was determined using the Black-Scholes Model based on the following assumptions: an exercise price of $0.35 per common share, expected life of 2 years, volatility of 71.2% and a risk-free interest rate of 1.93%.

Each Special Warrant converted, for no additional consideration, into one unit during the year ended October 31, 2019. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one share at a price of $0.35 per share for a 24 month exercise period, subject to abridgement of the exercise period on 30 days' notice to holders in the event that the twenty-day volume weighted average price of the shares exceeds $0.50 per share.

(Expressed in Canadian Dollars)

7. COMMON SHARES AND WARRANTS (cont'd…)

(e) Common share purchase warrants

The changes in the number of common share purchase warrants ("Warrants") outstanding during the year ended October 31, 2019 and 2018 were as follows:

	2019		2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, beginning of year	581,700	$ 0.35	26,110,739	$ 0.33
Issued upon conversion of Special Warrants into units	11,016,000	0.35	-	-
Issued in conjunction with Unit financing	23,422,822	0.30	-	-
Issued to finders in conjunction with Unit financing	391,125	0.30	-	-
Expired (November 2017)	-	-	(8,788,889)	0.30
Exercised	-	-	(465,600)	0.35
Expired (June 2018)	-	-	(16,856,250)	0.35
Issued to finders in conjunction with Special Warrant financing	-	-	581,700	0.35
Balance outstanding, end of year	35,411,647	$ 0.32	581,700	$ 0.35

The following table summarizes the Warrants outstanding as at October 31, 2019:

Number of Warrants	Exercise Price	Expiry Date
581,700	$ 0.35	July 20, 2020
8,000,000	0.35	November 14, 2020*
3,016,000	0.35	November 21, 2020*
11,667,500	0.30	August 16, 2022
94,325	0.30	August 16, 2022
11,255,322	0.30	August 31, 2022
275,800	0.30	August 31, 2022
500,000	0.30	September 9, 2022
21,000	0.30	September 9, 2022
35,411,647		

* subject to acceleration of the exercise period expiry on 30 days' notice to warrant holders in the event that the twenty-day volume weighted average price of the shares exceeds $0.50 per share.

(Expressed in Canadian Dollars)

7. COMMON SHARES AND WARRANTS (cont'd …)

(f) 2015 Incentive Plan

The Company has a 2015 Incentive Plan (the Plan), with the latest amendments thereto approved by shareholders of the Company on April 26, 2019. Under the Plan the Board of Directors may grant stock options to directors, officers, employees or consultants of the Company and DSUs to directors and officers of the Company up to an aggregate fixed maximum of 25,835,602 of the Company's issued and outstanding common shares, representing approximately 13% of the common shares outstanding as at October 31, 2019. The portion of common shares reserved for issuance as DSUs under the Plan is fixed at a maximum of 5,167,120, representing approximately 3% of the common shares outstanding as at October 31, 2019.

Options granted under the Plan have lives of up to ten years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board of Directors. According to the terms of the Plan, the exercise price of any stock options granted must be in accordance with the policies of the Exchange.

During the year ended October 31, 2019, 8,649,600 stock options were granted to officers, employees amd consultants at an exercise price of $0.21 per common share. No stock options were granted during the year ended October 31, 2018.

As at October 31, 2019, there were 14,574,600 stock options outstanding, representing 7.4% of the Company's issued and outstanding common shares (October 31, 2018 – 9,005,000 stock options outstanding representing 5.6% of the then issued and outstanding common shares).

Changes in the number of stock options outstanding during the years ended October 31, 2019 and 2018 were as follows:

	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of year	9,005,000	$ 0.23	10,548,600	$ 0.23
Granted	8,649,600	0.21	-	-
Expired	(650,000)	0.15	-	-
Cancelled / forfeited	(1,180,000)	0.15	(1,412,350)	0.25
Exercised	(1,250,000)	0.15	(131,250)	0.23
Balance outstanding, end of year	14,574,600	$ 0.22	9,005,000	$ 0.23
Options exercisable, end of year	8,238,950	$ 0.23	6,286,213	$ 0.21

(Expressed in Canadian Dollars)

7. COMMON SHARES AND WARRANTS (cont'd …)

(f) 2015 Incentive Plan (cont'd …)

The following table reflects details of the stock options outstanding by range of exercise prices as at October 31, 2019:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.21 to $ 0.21	8,649,600	10.0	$ 0.21	3,617,075	$ 0.21
$ 0.22 to $ 0.26	5,925,000	6.9	0.24	4,621,875	0.24
$ 0.21 to $ 0.26	14,574,600	8.7	$ 0.22	8,238,950	$ 0.23

The Black-Scholes option pricing model used to calculate option values was developed to estimate the fair value of freely tradable, fully transferable stock options without vesting restrictions, which significantly differs from the Company's stock options awards. This model also requires highly subjective assumptions, including the expected: option life, volatility, risk-free interest rate, forfeiture rates, stock option exercise behaviours, dividend yield and corporate performance. Changes in these assumptions affect the fair value estimate for share-based compensation.

The expected risk-free interest rate is based on the implicit yield on a Canadian Government zero-coupon issued with a remaining term equal to the expected term of the option. The expected volatility is based solely on historical volatility for a period equivalent to the expected life of the option. The expected option life is estimated considering the vesting period at the grant date, the contractual life of the option and the average length of time similar grants have remained outstanding in the past. A forfeiture rate of 13% has been estimated for the stock options granted in 2019 based on the history of the Company's stock option grants. The dividend yield has been assigned a zero value since it is the policy of the Company to not pay dividends on its common shares for the foreseeable future.

The share-based compensation expense was determined based on the fair value of all stock options at the date of measurement using the Black-Scholes option pricing model with the following weighted-average assumptions:

Year ended October 31,	2019	2018
Dividend yield	0%	n/a
Expected volatility	80%	n/a
Risk free interest rate	2.25%	n/a
Expected life of options	6.5 years	n/a

The Company's Plan allows for the issuance of DSUs to directors and officers of the Company and settlement in the form of a cash payment or issuance of shares at the time the DSU holder leaves the Company. Since the method of settlement of the DSUs is at the discretion of the Company under the plan, it has been accounted for as an equity-settled plan. During the year ended October 31, 2019, 3,120,167 DSUs were issued to directors, 660,222 DSUs held by directors were cancelled and 284,944 DSUs were equity-settled with the issuance of common shares in the same amount to a director who had completed his term of service. No DSUs were granted, cancelled or equity-settled during the year ended October 31, 2018. The DSUs generally vest over a three-year period after the date of grant. As at October 31, 2019, a total of 4,150,001 DSUs were outstanding (October 31, 2018 – 1,975,000) of which 2,169,533 had vested (October 31, 2018 - 1,080,106).

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are the Directors, the President and Chief Executive Officer and the Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at October 31, 2019 was $56,978 due to key management personnel (October 31, 2018 – $61,356).

Compensation to key management personnel for the years ended October 31, was as follows:

	2019	2018
Salaries, benefits and consulting fees	$ 458,093	$ 407,826
Director fees and benefits	101,014	101,504
Share-based compensation - DSUs	227,190	121,288
Share-based compensation	264,701	153,512
Total	$ 1,050,998	$ 784,130

9. STATEMENT OF LOSS AND COMPREHENSIVE LOSS SUPPLEMENTARY INFORMATION

Components of the research and development expenses for the years ended October 31, were as follows:

	2019	2018
Employee costs, supplies and contract payments	$ 2,152,233	$ 1,680,352
Manufacturing costs	13,917	568,927
Patent fees and costs	401,646	359,415
Depreciation	59,316	62,272
Share-based compensation	345,179	281,407
	2,972,291	2,952,373
Less: grant contributions and tax credits	(962,078)	(720,918)
	$ 2,010,213	$ 2,231,455

Components of the general and administrative expenses for the years ended October 31, were as follows:

	2019	2018
Employee costs and consulting fees	$ 273,106	$ 325,483
Professional fees	124,742	331,097
Director fees and benefits	101,014	101,504
Investor relations	735,854	217,201
Travel and other costs	230,462	252,766
Depreciation	2,159	2,257
Share-based compensation - DSUs	227,190	121,288
Share-based compensation	303,399	123,384
	$ 1,997,926	$ 1,474,980

(Expressed in Canadian Dollars)

10. DEFERRED GRANTS, COMMITMENTS AND CONTINGENCIES

In December 2015, the HemAcure Consortium (which included the Company) was awarded a €5.6 million (approximately $8.5 million) non-dilutive grant by the European Commission's Horizon 2020 Program. The Company expects to receive total funding in the amount of €1,019,378 (approximately $1.48 million), representing its portion of the grant, based upon the terms of the grant agreement. In November 2017, the Company received an interim payment in the amount of €226,603 ($331,770). All product development activities to be performed by the Company, as outlined in the grant agreement with the European Commission's Horizon 2020 Program, were completed by October 31, 2019. The Company's final funding claim of €226,268 ($329,207), included in amounts receivable at October 31, 2019, passed audit by the European Commission and was collected subsequent to the fiscal year end.

During 2016, the Company was awarded a US$2.45 million (approximately $3.2 million) grant under an agreement with JDRF Therapeutics Fund, LLC ("JDRF"). The grant supports a clinical trial of Sernova's Cell Pouch™ for treatment of patients with type 1 diabetes at a major transplantation center in the United States. Pursuant to the agreement with JDRF, the Company has committed to perform certain clinical trial activities and to use commercially reasonable efforts to introduce a diabetes product into the US market. Further, the agreement creates an obligation for the Company to pay royalties to JDRF on any future net sales received by the Company from a diabetes product or in certain future license or disposition transactions limited to a certain percentage of funds received over time up to a prescribed limit related to the amount of the grant funding. A grant contribution of US$200,000 ($263,200) relating to milestone achievement was earned during the year ended October 31, 2019 (2018 - US$400,000 ($535,662)), and included in amounts receivable as at October 31, 2019 (October 31, 2018 – US$nil ($nil)). Remaining funding available to be advanced under the JDRF grant award totals approximately US$1.48 million ($1.95 million) as at October 31, 2019.

The Company expects to pay certain future costs related to its pre-clinical and clinical trials. Such payments are expected to include the cost of clinical staff and overhead thereon, trial insurance, and may include travel and a portion of drug or procedure–related expenses or transplantation expenses not covered by insurance. The total expected future payments will be impacted by such factors as the rate of enrollment, the location in which the patient resides and the specifics of patient insurance.

The Company entered into a three year lease effective September 1, 2017. Notwithstanding the term, the Company has the right to terminate the lease after the first anniversary by providing 90 days' written notice. Required gross payments remaining under the lease for the fiscal year ending October 31, 2020 total $97,660.

11. INCOME TAXES

Income taxes have not been recognized in profit and loss, as the Company has been incurring losses since inception, and it is not probable that future taxable profits will be available against which the accumulated tax losses can be utilized.

(a) Unrecognized deferred tax assets

As at October 31, 2019 and 2018, deferred tax assets have not been recognized with respect to the following items:

	2019	2018
Non-capital losses carried forward	$ 5,876,000	$ 5,761,922
Tax credits carried forward	1,632,000	1,728,668
Tax basis of property, equipment and intangible assets greater than accounting basis	140,000	348,960
Scientific research and experimental development expenditures carry forward	1,989,000	1,841,106
Share issue costs and other	67,000	43,294
	$ 9,704,000	$ 9,723,950

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd …)

(a) Unrecognized deferred tax assets (cont'd …)

As at October 31, 2019 and 2018, the Company had available research and development expenditures of approximately $7,506,000 and $6,947,570, respectively, which may be carried forward indefinitely to reduce future years' taxable income.

As at October 31, 2019 and 2018, the Company also had available unclaimed research and development tax credits of approximately $2,030,000 and $1,728,668, respectively, which are available to reduce future taxes payable, with expiries from 2020 through 2039.

As at October 31, 2019 and 2018, the Company has other available future tax deductions related to assets and share issuance costs of approximately $780,000 and $1,480,206, respectively.

The Company's Canadian non-capital tax losses expire as follows:

Years ended October 31,	Amount
2026	$ 355,044
2027	599,000
2028	580,631
2029	353,274
2030	682,246
2031	599,170
2032	992,747
2033	901,738
2034	926,182
2035	1,520,901
2036	1,490,274
2037	1,351,446
2038	2,809,734
2039	2,518,336
Total	$ 15,680,723

As at October 31, 2019 and 2018, the Company also had non-capital income tax losses available to offset future taxable income in the United States of approximately $6,882,385 (US$5,290,073) and $6,501,720 (US$5,042,047), respectively. The United States non-capital income tax losses will expire in the years 2026 to 2038.

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd …)

(b) Reconciliation of expected and actual income taxes

Reconciliations of the expected income tax recovery at statutory rates, as applied to the net loss for the year, to the actual income tax recovery for the years ended October 31, were as follows:

	2019	2018
Loss for the year before income tax	$ (3,971,272)	$ (3,698,627)
Expected income tax recovery at statutory rates	$ (1,052,000)	$ (980,136)
Change in statutory tax, foreign tax and foreign exchange rates	96,000	-
Tax credits	(109,000)	-
Permanent differences	233,000	144,540
Share issue costs	(38,000)	-
Change in unrecognized deductible temporary differences	(20,000)	835,596
Adjustment to prior year provision versus statutory returns	890,000	-
Income tax recovery	$ -	$ -

12. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to advance its programs in a timely manner while safeguarding the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development and commercialization of its technologies. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development and commercialization of the business. The Company defines capital that it manages as shareholders' equity.

The intellectual property in which the Company currently has an interest are in the development stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess sources of financing available and to assess the potential for collaboration with interested partners with a view to managing its current financial resources, in the interest of sustaining the long-term viability of the Company's research and development programs.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the stage of the Company, is reasonable.

The Company's overall strategy with respect to capital risk management remains unchanged for the year ended October 31, 2019.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

IFRS 13 *Fair Value Measurement* provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1: Quoted prices in active markets for identical instruments that are observable.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Level 2: Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The Company's financial assets and financial liabilities, including cash, marketable securities, amounts receivable, accounts payable and accrued liabilities, are all short-term in nature being receivable or due within one year and their carrying values approximate fair values.

Financial risk factors
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and marketable securities and there is additional risk since those financial instruments are primarily held by a single counterparty. Management believes the risk of the counterparty, a Canadian Schedule A bank, failing to meet its obligations related to the cash and marketable securities held by the Company is remote. Amounts receivable are primarily composed of amounts due from the Canadian federal government, $329,207 from the European Commission's Horizon 2020 grant program and $263,200 from JDRF.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing in cash and marketable securities to provide regular cash flow for its operations and monitoring actual and projected cash flows. As at October 31, 2019 and 2018, the Company had cash and marketable securities of $3,804,137and $2,743,320, respectively which are available to settle the current liabilities of $686,823and $341,202, respectively. The majority of the Company's accounts payable and accrued liabilities are due within three months or less.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds its cash in bank accounts, and manages its interest rate risk by holding highly liquid short-term instruments. For the years ended October 31, 2019 and 2018, the Company earned interest income of $38,465and $27,749, respectively. Interest income is not significant to the Company's projected operational budget. A change in one hundred basis points in the interest rate on marketable securities for the year ended October 31, 2019 and 2018, would have a net impact on finance income of $20,070 and $10,235 respectively.

(d) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities and deferred grants that are denominated in foreign currencies. The Company's foreign currency risk is related to expenses denominated in United States dollars and Euros.

In December 2015, the Company was awarded a €5.6 million (approximately $8.5 million) non-dilutive grant by the European Commission's Horizon 2020 Program, as part of a consortium. The Company expects to receive total funding in the amount of €1,019,378 (approximately $1.48 million), representing its portion of the grant, based upon the terms of the grant agreement. The Company's final funding claim of €226,268 ($329,207) was included in amounts receivable at October 31, 2019, A 10% change in the foreign exchange rate between the Canadian dollar and the Euro would result in a fluctuation of $32,921 in respect of the remaining grant balance receivable.