Avivagen Inc.

Unaudited Consolidated Interim Financial Statements

30 April 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated interim financial statements of the Corporation have been prepared by management and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review or an audit of these interim consolidated financial statements.

Management’s Statement of Responsibility

The accompanying unaudited consolidated interim financial statements of Avivagen Inc. (the “Corporation”) have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”).

Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those which it deems most appropriate in the circumstances in order to ensure that the unaudited consolidated interim financial statements are presented fairly, in all material respects, in accordance with IFRS.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an audit committee. This committee meets periodically with management and the external auditors to discuss internal controls, auditing matters, and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The committee reviews the unaudited consolidated interim financial statements and reports to the Board of Directors. The external auditors have full and direct access to the audit committee.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, the disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109 will result in additional risks to the quality, reliability, transparency and timeliness of interim filings and other reports provided under securities legislation.

In contrast to the certification required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), the Corporation does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the CEO and CFO filing these financial statements are not making any representations relating to the establishment and maintenance of:

i) Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and / or reported within the time periods specified in securities legislation; and

ii) A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS reporting.

Investors should be aware that inherent limitations on the ability of the CEO and CFO of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim filings and other reports provided under securities legislation.

APPROVED BY

(Signed)	
Cameron Groome	CEO and President
(Signed)	
Chris Boland	CFO

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Unaudited Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the period ending 30 April (Canadian dollars)

	Note	Three Months Ending 30 April 2015	Three Months Ending 30 April 2014	6 Months Ending 30 April 2015	6 Months Ending 30 April 2014
		$ CDN	$ CDN	$ CDN	$ CDN
Revenue					
Chemistry	**2.2(c), 5**	$ 67,100	$ 39,300	$ 92,800	$ 72,109
Product	**2.2(c), 5**	1,380	301	2,482	136,210
Total Revenue		$ 68,480	$ 39,601	$ 95,282	$ 208,319
Cost of products sold	**11**	259	265	426	54,989
Gross Margin		**68,221**	**39,336**	**94,856**	**153,330**
Operating expenses					
Selling, general and administration	**19**	410,408	366,773	818,297	819,146
Research and development	**19**	115,692	130,060	261,654	244,235
Depreciation of plant and equipment	**8**	4,650	8,155	8,719	16,310
Amortization of intangible assets		-	51	-	102
Total operating expenses		**530,750**	**505,039**	**1,088,670**	**1,079,793**
Loss before income taxes		**(462,529)**	**(465,703)**	**(993,814)**	**(926,463)**
Income Taxes					
Current and deferred income tax expense	**2.2(d), 6**	-	-	-	-
Loss from operations after taxes		**(462,529)**	**(465,703)**	**(993,814)**	**(926,463)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income (Loss) for the period		**(462,529)**	**(465,703)**	**(993,814)**	**(926,463)**
Loss per Share, Basic and Diluted	**7**	**$ (0.002)**	**$ (0.003)**	**$ (0.005)**	**$ (0.006)**
Weighted Average Common Shares Issued and Outstanding Basic and Diluted	**7**	196,375,395	168,289,534	190,125,395	166,587,284

Unaudited Consolidated Interim Statement of Financial Position

Balance as at (Canadian dollars)

	Note	April 30, 2015	October 31, 2014
		$ CDN	$ CDN
Assets		Unaudited	Audited
Current Assets			
Cash and cash equivalents	13	1,385,721	768,794
Trade and other accounts receivable	12	16,600	49,041
Prepaid insurance		14,911	-
Inventories	11	16,241	18,263
Total Current Assets		**1,433,473**	**836,098**
Non-current Assets			
Property and equipment	8	23,830	32,549
Total Non-current Assets		**23,830**	**32,549**
Total Assets		**1,457,303**	**868,647**
Liabilities and Shareholders' Equity (Deficiency)			
Current Liabilities			
Accounts payables and accrued liabilities	18	129,158	144,032
Research and development repayable funding	9, 17	13,884	13,884
Total Current Liabilities		**143,042**	**157,916**
Non-current Liabilities			
Research and development repayable funding	9, 17	3,254,400	3,102,764
Total Non-current Liabilities		**3,254,400**	**3,102,764**
Total Liabilities		**3,397,442**	**3,260,680**
Shareholders' Equity (Deficiency)			
Share Capital	14	12,654,922	11,699,237
Contributed surplus	15	5,733,477	5,243,454
Accumulated deficit		(20,328,538)	(19,334,724)
Total Shareholders' Equity (Deficiency)		**(1,940,139)**	**(2,392,033)**
Total Liabilities and Shareholders' Equity (Deficiency)		**1,457,303**	**868,647**

Unaudited Consolidated Interim Statement of Changes in Equity
Balance as at 30 April 2015 (Canadian dollars)

	Shares Outstanding	Share Capital	Contributed Surplus	Deficit	Shareholders Equity
		$ CDN	$ CDN	$ CDN	$ CDN
Balance as at April 30, 2013	**119,248,270**	**$ 8,985,379**	**$ 4,210,619**	**$ (16,271,623)**	**$ (3,075,625)**
Balance as at April 30, 2013		**$ 8,985,379**	**$ 4,210,619**	**$ (16,271,623)**	$ (3,075,625)
Net Loss for the period				$ (456,919)	$ (456,919)
Issuance of share-based payments			$ 59,203		$ 59,203
Issuance of share capital	850,000	$ 85,000		$ -	$ 85,000
Balance as at July 31, 2013	**120,098,270**	**$ 9,070,379**	**$ 4,269,822**	**$ (16,728,542)**	**$ (3,388,341)**
Balance as at July 31, 2013		**$ 9,070,379**	**$ 4,269,822**	**$ (16,728,542)**	$ (3,388,341)
Net Loss for the period				$ (525,794)	$ (525,794)
Issuance of share-based payments			$ 33,519		$ 33,519
Issuance of share capital	29,647,202	$ 1,660,243	$ 415,061	$ -	$ 2,075,304
Issuance cost of share capital		$ (177,528)			$ (177,528)
Issuance of agent warrants			$ 53,241		$ 53,241
Balance as at October 31, 2013	**149,745,472**	**$ 10,553,094**	**$ 4,771,641**	**$ (17,254,336)**	**$ (1,929,601)**
Balance as at October 31, 2013		**$ 10,553,094**	**$ 4,771,641**	**$ (17,254,336)**	$ (1,929,601)
Net Loss for the period				$ (460,760)	$ (460,760)
Issuance of share-based payments			$ 30,525		$ 30,525
Issuance of share capital	17,706,471	$ 991,562	$ 247,891	$ -	$ 1,239,453
Issuance cost of share capital		$ (53,572)			$ (53,572)
Balance as at January 31, 2014	**167,451,943**	**$ 11,491,084**	**$ 5,050,057**	**$ (17,715,096)**	**$ (1,173,955)**
Balance as at January 31, 2014		**$ 11,491,084**	**$ 5,050,057**	**$ (17,715,096)**	$ (1,173,955)
Net Loss for the period				$ (465,703)	$ (465,703)
Issuance of share-based payments			$ 32,890		$ 32,890
Issuance of share capital in private placement	2,464,288	$ 126,440	$ 46,062		$ 172,502
Issuance of share capital in exchange for debt	1,459,164	$ 81,713			$ 81,713
Balance as at April 30, 2014	**171,375,395**	**$ 11,699,237**	**$ 5,129,009**	**$ (18,180,799)**	**$ (1,352,553)**
Balance as at April 30, 2014		**$ 11,699,237**	**$ 5,129,009**	**$ (18,180,799)**	$ (1,352,553)
Net Loss for the period				$ (552,294)	$ (552,294)
Issuance of share-based payments			$ 59,520		$ 59,520
Balance as at July 31, 2014	**171,375,395**	**$ 11,699,237**	**$ 5,188,529**	**$ (18,733,093)**	**$ (1,845,327)**
Balance as at July 31, 2014		**$ 11,699,237**	**$ 5,188,529**	**$ (18,733,093)**	$ (1,845,327)
Net Loss for the period				$ (601,631)	$ (601,631)
Issuance of share-based payments			$ 54,925		$ 54,925
Balance as at October 31, 2014	**171,375,395**	**$ 11,699,237**	**$ 5,243,454**	**$ (19,334,724)**	**$ (2,392,033)**
Balance as at October 31, 2014		**$ 11,699,237**	**$ 5,243,454**	**$ (19,334,724)**	$ (2,392,033)
Net Loss for the period				$ (531,285)	$ (531,285)
Issuance of share-based payments			$ 35,674		$ 35,674
Issuance of share capital in private placement	25,000,000	$ 1,118,012	$ 381,988		$ 1,500,000
Issuance cost of share capital		$ (116,629)			$ (116,629)
Issuance of agent warrants		$ (45,698)	$ 45,698		$ -
Balance as at January 31, 2015	**196,375,395**	**$ 12,654,922**	**$ 5,706,814**	**$ (19,866,009)**	**$ (1,504,273)**
Balance as at January 31, 2015		**$ 12,654,922**	**$ 5,706,814**	**$ (19,866,009)**	$ (1,504,273)
Net Loss for the period				$ (462,529)	$ (462,529)
Issuance of share-based payments			$ 26,663		$ 26,663
Balance as at April 30, 2015	**196,375,395**	**$ 12,654,922**	**$ 5,733,477**	**$ (20,328,538)**	**$ (1,940,139)**

Unaudited Consolidated Interim Statement of Cash Flows

For the periods ending 30 April (Canadian dollars)

	Note	Three Months Ending 30 April 2015	Three Months Ending 30 April 2014	6 Months Ending 30 April 2015	6 Months Ending 30 April 2014
		$ CDN	$ CDN	$ CDN	$ CDN
Cash Flows from Operating Activities					
Net Loss - before interest paid and received		$ (462,529)	$ (465,703)	$ (993,814)	$ (926,463)
Items not affecting cash					
Share-based compensation	14	$ 26,663	$ 32,890	$ 62,337	$ 63,415
Depreciation of property and equipment	8	$ 4,650	$ 8,155	$ 8,719	$ 16,310
Amortization of intangible assets		$ -	$ 51	$ -	$ 102
Changes in non-cash operating working capital items	23	$ (12,373)	$ (210,555)	$ 4,678	$ (202,891)
Non-cash debt for equity transaction	14	$ -	$ 81,713	$ -	$ 81,713
Net Cash Flows used in Operating Activities		**(443,589)**	**(553,449)**	**$ (918,080)**	**$ (967,814)**
Cash Flows from Investing Activities					
Purchase of property and equipment	8	-	-	-	-
Net Cash Flows used in Investing Activities		**-**	**-**	**-**	**-**
Cash Flows from Financing Activities					
Proceeds from research and development repayable funding	9, 17	$ -	$ 134,183	$ 151,636	$ 134,183
Repayment of research and development repayable funding	9, 17	$ -	$ -	$ -	$ -
Proceeds from issuance of private placement units	14	$ -	$ 172,502	$ 1,500,000	$ 1,411,955
Share issuance cost	14	$ -	$ -	$ (116,629)	$ (53,572)
Net Cash Flows from Financing Activities		**-**	**306,685**	**$ 1,535,007**	**$ 1,492,566**
Net increase (decrease) in cash during the period		$ (443,589)	$ (246,764)	$ 616,927	$ 524,752
Cash and cash equivalents, beginning of period	13	$ 1,829,310	$ 1,817,196	$ 768,794	$ 1,045,680
Cash and cash equivalents, end of period	**13**	**1,385,721**	**1,570,432**	**$ 1,385,721**	**$ 1,570,432**

1. Corporate information

The unaudited consolidated interim financial statements of Avivagen Inc. (the "Corporation") for the period ended 30 April 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 13 May 2015. The Corporation is domiciled in Canada and its shares are publicly traded on the TSX Venture Exchange under ticker symbol "VIV" (formerly ticker symbol "CFR"). As of 5 August 2014, the Corporation's shares are also traded on the OTC Pink Sheet market under the ticker symbol "CHEXF". The registered office is located at 100 Sussex Drive, Ottawa, Ontario, Canada K1A 0R6.

The Corporation is a development stage biotechnology entity that was federally incorporated under the Canada Business Corporations Act on 4 August 2005 through the amalgamation of Occell Inc., a privately held corporation founded in April 1997, and Triumph Acquisition Corporation Inc., a TSX Venture Exchange capital pool company founded in August 2003. The common shares of the company began trading on the TSX Venture Exchange under the ticker symbol "CFR" on 5 August 2005. On 25 May 2012 the Corporation amended the articles of the Corporation to change its name from Chemaphor, Inc. to Avivagen, Inc., and from 30 May 2012 the shares began trading under the new ticker symbol "VIV".

The Corporation, including its wholly-owned subsidiary (7552882 Canada Inc. subsequently renamed Avivagen Animal Health, Inc. and inactive since 2013), is focused on bringing forward products based on its unique, proprietary OxC-Beta™ (oxidized carotenoid) technology, to assist in optimizing health and daily quality of life in companion and food animals. The Corporation, having validated its core intellectual property-protected OxC-Beta™ platform over the past several years under a research and development framework, is executing a multi-stage strategy for commercialization of the OxC-Beta™ technology that targets the major global markets as they become accessible under local regulations, namely:

- Food animal feed supplement alternatives to in-feed antibiotics to increase productivity through enhanced health and safety,
- Companion animal and pet supplements for dogs, cats, horses and ornamental fish, and
- Human health applications based upon enhancement of immune function.

In the global livestock market, the Corporation is developing OxC-Beta™ as a non-antibiotic alternative feed additive for promoting health and productivity. These efforts are assisted by growing global awareness and concern about the antibiotic resistance of human pathogens that is believed to result from the widespread use of antibiotics especially for livestock disease prevention and growth promotion. The Corporation believes that OxC-Beta™-based products may offer a robust and economical alternative to antibiotics that work by supporting immune health, promoting growth and feed conversion efficiency, yet by their nature are safe for animals. Such research is intended to support domestic and international sales of OxC-Beta™ for a series of livestock applications.

In companion animals, the Corporation has generated modest commercial sales of its first product, Oximunol™ Chewable Tablets for dogs, available in the United States through veterinarians and distributed by Bayer Animal Health. The agreement with Bayer to distribute Oximunol™ was terminated by mutual agreement on 15 February 2015. Additionally, the Corporation has created a branded line of companion animal products, Vivamune™ Vital Health[3] that will access the broader direct-to-consumer market, selling primarily via the internet and, ultimately, specialty pet stores. Effective 20 February 2015, the Corporation entered into an agreement with a distributor to provide Vivamune™ Vital Health[3] to retailers in the United States. Oximunol™ has been shown to promote healthy skin, greater enjoyment of walks and daily activities, also may reduce grooming time in dogs.

Anticipated human research and future applications is expected to be built around proof-of-concept studies that substantiate an OxC-Beta™ dietary supplement to improve overall health, as well as supporting normal immune system and inflammatory responses. Access to the human supplement or therapeutic markets remains a longer-term goal of the Corporation.

The Corporation also generates modest revenues from sales of custom chemistry products such as deuterated analytical standards to various universities and research centres for use in clinical trials and studies.

2.1 Basis of preparation

The unaudited consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

Statement of compliance

The unaudited consolidated interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), London, IAS 34 *Interim Financial Reporting*, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and in effect at the closing date of 13 May 2015.

Management of the Corporation prepared the unaudited consolidated interim financial statements of the Corporation during the period of 30 April 2015 to 13 May 2015, and the Board of Directors approved them at its meeting on 13 May 2015.

The unaudited consolidated interim financial statements of the Corporation are drawn up in Canadian dollars. Amounts are stated in and recorded to the nearest Canadian dollars except where otherwise indicated. The financial statement of the individual corporation is prepared as of the closing date of the Corporation's financial statements.

In the unaudited consolidated interim statement of profit or loss and other comprehensive income, unaudited consolidated interim statement of financial position, unaudited consolidated interim statement of cash flows, and unaudited consolidated interim statement of changes in equity, certain items are combined for the sake of clarity. These are explained within the notes. The consolidated statement of profit or loss and other comprehensive income is prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Corporation. The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods produced or services rendered in that process. Trade and other accounts receivable and payable, claims for tax refunds, tax liabilities and inventories are always presented as current items; deferred tax assets (if recognized) and certain liabilities are presented as non-current items. Research and development repayable funding (ACOA) and debt and other liabilities, if any, are shown between current and non-current.

2.2 Summary of significant accounting policies

(A) Basis of consolidation

The unaudited consolidated interim financial statements comprise the financial statements of the Corporation and its wholly owned subsidiary as at 30 April 2015.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns

The financial statement of the subsidiary is prepared for the same reporting period as the parent corporation using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra-group transactions, if any, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Corporation loses control over its subsidiary, it:

- Derecognizes the assets (including goodwill, if any) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest (if any);
- Derecognizes the cumulative translation differences, if any, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The wholly-owned subsidiary of the Corporation as of 30 April 2015 is Avivagen Animal Health Inc., formerly known as 7552882 Canada Inc.

(B) Foreign currency translation

The Corporation's consolidated financial statements are presented in Canadian dollars. Each entity in the Corporation determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional and presentation currency of the parent entity and the subsidiary is the Canadian dollar.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Corporation entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(C) Revenue Recognition

Revenue is recognized when there is evidence of arrangement, the amount is fixed or determinable, products are shipped to the customer or the services are rendered, and collection is probable and is recorded net of discounts. Amounts received prior to the shipment of products or the rendering of services are recognized as deferred revenue in the period received and recorded as revenue when the products are shipped, services are rendered, and the above criteria is met.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(D) Taxes

Current income tax

Current income tax assets and liabilities for the respective and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in the subsidiary, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

Sales tax
Revenues, expenses, liabilities and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(E) Government grants and assistance and investment tax credit

Government grants and assistance are recognized where there is reasonable assurance that the grant or assistance will be received and all attached conditions will be complied with. When the grant or assistance relates to an expense item, it is recognized as income over the period necessary to match the grant or assistance on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. When government assistance is received which relates to expenses of future periods, the amount is deferred and amortized to income as the related expenditures are incurred. The Corporation has been engaged in scientific research and development (R&D) and, accordingly, has previously filed for investment tax credit (ITC) refunds and the Industrial Research Assistance Program (IRAP) under both the Canadian federal and provincial R&D tax incentive and R&D programs. The ITCs and IRAP recorded in the accounts are based on management's interpretation of the Income Tax Act of Canada, and the respective IRAP provisions which govern the eligibility of R&D costs. The claims are subject to review by the Canada Revenue Agency and the Minister of Revenue for the respective province before the refunds can be released. To the extent that collection is reasonably assured, ITCs and IRAP are recorded as a reduction to the underlying expense or asset to which the ITC or IRAP is attributable. The Corporation also has an interest-free repayable funding obligation from future sales from the Government of Canada (ACOA). The interest-free portion is treated as a government grant in the period benefited, and the accretion is treated as interest expense in the same period.

(F) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Corporation’s financial assets include cash and cash equivalents, trade and other accounts receivable.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of

financial position at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income. Cash and cash equivalents are carried within these categories.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss and other comprehensive income. The losses arising from impairment, if any, are recognized in the statement of profit or loss and other comprehensive income. Trade and other accounts receivable are carried within these categories.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments are classified as held-to-maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income. The Corporation did not have any held-to-maturity investments during the periods ended 30 April 2015 and 31 October 2014.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss, or determined to be impaired, at which time the cumulative loss is recognized in the statement of comprehensive profit or loss and removed from the available-for-sale reserve.

The Corporation did not have any available-for-sale financial investments during the periods ended 30 April 2015 and 31 October 2014.

Derecognition
A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset.

In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay. The Corporation has no such "pass-through" arrangements for the periods ending 30 April 2015 and 31 October 2014.

ii) Impairment of financial assets
The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss had incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit that have not yet been incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss and other comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments
For available-for-sale financial investments, the Corporation assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. The Corporation did not hold available-for-sale financial investments for the periods ending 30 April 2015 and 31 October 2014.

iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accrued liabilities and research and development repayable funding. All financial liabilities are measured as loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income.

The Corporation has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss and other comprehensive income. All financial liabilities are classified within this category.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. Except for cash, the Corporation does not hold any such instruments as of 30 April 2015 and 31 October 2014.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided within these notes.

vi) Transaction costs
Transaction costs for financial instruments classified as FVTPL are recognized as an expense in the period they were incurred. For all non-FVTPL financial instruments, they are capitalized and amortized using the effective interest rate method over a period that corresponds with the term of the financial instruments.

vii) Embedded derivatives
IAS 39 requires that under certain conditions, an embedded derivative be separated from its host contract and accounted for as a derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. The Corporation does not hold any embedded derivatives as at 30 April 2015 and 31 October 2014.

(G) Derivative financial instruments and hedge accounting
The Corporation has not entered into any derivative financial instruments and accordingly has not applied hedge accounting for the periods ending 30 April 2015 and 31 October 2014.

(H) Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit or loss and other comprehensive income on

In Canadian dollars, for the period ending 30 April 2015

the purchase, sale, issue, or cancellation of the Corporation's own equity instruments. Any difference between the carrying amount and the consideration is recognized within equity in contributed surplus.

(I) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use (if any) is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

• Laboratory equipment	Straight-line 5 to 10 years
• Manufacturing equipment	Straight-line 4 to 8 years
• Office equipment	Straight-line 3 to 10 years
• Leasehold improvements	Straight-line over the expected term of the lease or the life of the asset, whichever is lower

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(J) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit or loss and other comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. For the periods ending 30 April 2015 and 31 October 2014, the Corporation did not hold any finance leases.

Operating lease payments are recognized as an expense in the statement of profit or loss on a straight line basis over the lease term.

(K) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds. For the periods ending 30 April 2015 and 31 October 2014, the Corporation did not capitalize any borrowing cost.

(L) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated research intangible assets are not capitalized, as they did not meet the criterion under IAS 38 and accordingly the research expenditure is reflected in the statement of profit or loss in the period in which the research expenditure is incurred.

(M) Product development costs

Research and development costs include out-of-pocket cost and direct overhead. Research and patent-related costs are expensed as incurred and are reduced by related government assistance and tax incentives, if any. Product development costs are expensed as incurred unless they meet the IAS 38 criterion for deferral and amortization. No product development costs have been capitalized to date.

(N) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(O) Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset or a group of assets (each a current cash generating unit or "CGU") may be impaired. If any indication exists, or when annual impairment testing for a CGU is required, the Corporation estimates the CGU's recoverable amount. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. 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 CGU. In determining fair value less costs of disposal, an appropriate valuation model is used. The Corporation has a CGU for which impairment could be tested against. The Corporation had no goodwill or indefinite life intangible assets for the periods ending 30 April 2015 and 31 October 2014.

Impairment losses, if any, of continuing operations are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the non-financial asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

(P) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. The Corporation uses the indirect method of reporting cash flow from operating activities.

(Q) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of profit or loss.

(R) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Corporation uses the treasury stock method for calculating the dilutive effect of the outstanding stock options, warrants, stock appreciation rights (SARs), and other dilutive securities. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options, warrants, or SARs are used to repurchase common shares at the average market price during the period.

(S) Share-based payment

The Corporation has a share-based compensation plan. The Corporation accounts for share-based payment options granted to directors, management, employees, and consultants using the fair value method. Under this method, compensation expense for share-based compensation granted is measured at the fair value at the grant date (where there is a shared understanding), using the Black-Scholes option valuation model. In accordance with the fair value method, the Corporation recognizes estimated compensation expense related to share-based compensation over the vesting period of the options granted, with the related credit being charged to the contributed surplus account. Consideration paid by employees on the exercise of share-based compensation is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

3. Significant accounting judgments, estimates, and assumptions

The preparation of the Corporation's unaudited consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effects on the amounts recognized in the unaudited consolidated interim financial statements.

Going concern

The Corporation's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the Corporation's ability to obtain the ongoing support of its lenders, investors, obtain profitable operations, and/or raise additional capital. These unaudited consolidated interim financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern, and such adjustments could be material. The Corporation has not obtained profitable operation to date. The accumulated deficit is $20,328,538 as of 30 April 2015 (31 October 2014: $19,334,724). If the Corporation was not a going concern, possible adjustments could include the reclassification of the research and development repayable funding from non-current to current, a possible impairment of inventory, and a restriction on use of all assets in favour of the outstanding creditors.

The Corporation's continuance as a going concern is dependent upon its ability to obtain additional equity and/or debt financing in the near term and/or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Corporation will attain profitable levels of operation. In the absence of raising additional funds there is substantial doubt regarding the Corporation's ability to continue as a going concern.

Impairment of non-financial assets

Impairment exists when the carrying value of a non-financial asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Corporation's PP&E is $23,830. The carrying value of these non-current assets approximates the fair value less disposal cost and accordingly no impairment has occurred in the period.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long-term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. The Corporation may establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Given the Corporation's history of losses, it is not probable that the deferred tax assets will be realized in the foreseeable future and accordingly the deferred tax assets are fully impaired.

Fair value of financial instruments and share-based payments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Corporation has entered into an agreement to obtain repayable funding with the Atlantic Canada Opportunities Agency ("ACOA"). As at 30 April 2015, $3,269,476 has been drawn under this agreement, of which $1,192 has been repaid on 30 June 2014. As at 30 April 2015, $3,268,284 is the undiscounted balance of the repayable funding outstanding. Balances outstanding are repayable over a ten-year period which commenced 30 June 2014. Yearly repayments are equal to at 10% of revenues of the prior year from the resulting product. As it is not possible to estimate the repayment terms and the requirement and ability to adhere to the covenants of the agreement, the funding outstanding is being carried at its face value and has not been discounted to its fair value (as required under IAS 39), as no reliable or relevant measure could be provided. Also, if the covenants of the agreement are violated, the entire obligation becomes payable at its carrying amount. Assuming the Corporation repaid the ACOA obligations consistent with management's estimates, with a discount rate of 10% the fair value of the repayable funding would be approximately $2,125,908 (See Note 9).

Share-based payments are estimated using a Black-Scholes pricing model. This model requires management estimates and assumptions as disclosed in Note 14.3 and Note 14.4.

4. Standards issued but not yet effective and standards early adopted

As at 13 May 2015, the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Corporation. In certain cases, the Corporation has early adopted the new standards, amendments, and interpretations as noted below.

Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of the pronouncement, unless already early adopted. Information on new standards, amendments, and interpretations are provided below.

The IASB has and will continue to issue a collection of amendments as part of its annual project "Improvements to IFRSs." The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology and for narrow clarification. They consist mainly of editorial changes to existing standards. The amendments are to be applied for annual periods beginning on or after 1 July 2014 or 1 January 2016.

The IASB has issued the following narrow scope amendments under the 2010 to 2012, 2011 to 2013, and 2012 to 2014 Annual Improvement Projects. The Corporation has adopted all amendments under the 2010 to 2012 and 2011 to 2013 Annual Improvement Projects, for which there was no impact on the presentation or results of the operations of the Corporation. IFRS 1 amendments noted below have not been adopted as the Corporation adopted IFRS in 2011 and may not use this standard after its date of transition to IFRS in 2011.

The IASB published Annual Improvements 2010-2012, effective for 1 July 2014. These changes were early adopted as follows and did not have any impact on the financial results, presentation, or disclosure:

- IFRS 2 *Share-based Payments:*
  - Definition of vesting condition.
- IFRS 3 *Business Combination:*
  - Accounting for contingent consideration in a business combination.
- IFRS 8 *Operating Segments:*
  - Aggregation of operating segments.
  - Reconciliation of the total of the reportable segments' assets to the entity's assets.
- IFRS 13 *Fair Value Measurement*:
  - Short-term receivables and payables.
- IFRS 16 *Property, Plant and Equipment:*
  - Revaluation method – proportionate restatement of accumulated depreciation.
- IAS 24 *Related Party Disclosures:*
  - Key Management Personnel Services.
- IAS 38 *Intangible Assets*:
  - Revaluation method – proportionate restatement of accumulated amortization.

The IASB published Annual Improvements 2011-2013, effective for 1 July 2014. These changes were early adopted as follows and did not have any impact on the financial results, presentation, or disclosure:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*:
  - Meaning of "effective IFRS's."
- IFRS 3 *Business Combination:*
  - Scope exceptions for joint ventures.
- IFRS 13 *Fair Value Measurement*:
  - Scope of IFRS 13.52 (portfolio exception).
- IAS 40 Investment Property:
  - Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The International Accounting Standards Board (IASB) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 *Financial Instruments* in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The new standard of IFRS 9 defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. Fair value of financial liabilities will require the reporting of the corporation's own credit risk adjustments.

During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. As part of IFRS 9 the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and it lowers the threshold for recognition of full lifetime expected losses.

IFRS 9 introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

Application of IFRS 9 is effective 1 January 2018. The Corporation has assessed the impacts of IFRS 9 and expects to early adopt on 1 November 2015. No material impact on the statement of financial position or results of operations is expected from the adoption of IFRS 9 on 1 November 2015.

The Corporation has adopted IAS 32 *Offsetting.* There was no significant impact on the financial statements or within the note disclosure from the adoption of this standard.

IFRS 14 *Regulatory Deferral Accounts* was issued by the IASB in January 2014 and is effective for years beginning on or after 1 January 2016. The standard applies to rate regulated entities and accordingly is not relevant to the Corporation.

IFRS 15 *Revenue from Contracts with Customers* was issued by the IASB on 28 May 2014 and replaces the previous revenue standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations on revenue recognition: IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. IFRS 15 is effective for years beginning on or after 1 January 2017. The IASB is proposing to extend the effective date to 1 January 2018. The Corporation has assessed IFRS 15 and there are no material impacts expected on the financial results of the Corporation. The Corporation anticipates early adoption of IFRS 15 in its next fiscal year commencing 1 November 2015.

The following were issued by the IASB for years starting 1 January 2014 or after and were all early adopted by the Corporation. There was no impact on the financial statements or within the note disclosure from the early adoption of these changes.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
  (Amendments to IFRS 10, IFRS 11, and IFRS 12).
- *Offsetting Financial Assets and Financial Liabilities* (amendment to IAS 32) issued by the IASB December 2011 and effective January 1, 2014. The Corporation does not currently offset assets or liabilities.
- *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) issued by the IASB October 2012 and effective January 1, 2014. The Corporation is not an investment entity.
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39) issued by the IASB June 2013 and effective January 1, 2014. The Corporation does not apply hedge accounting.
- *Recoverable Amount Disclosures for Non-Financial Assets*, issued by the IASB May 2013 and effective January 1, 2014.
- IFRIC 21 *Levies* issued by the IASB May 2013 and effective January 1, 2014. The Corporation has no levies applied against it.
- *Defined Benefits Plans; employee contribution* (amendment to IAS 19) was issued November 2013 and is effective July 1, 2014. The Corporation does not have a defined benefit plan and the standard is not relevant.

The IASB has issued the following updates to the Standards, which were all early adopted on 1 November 2014 and for which there was no impact on the statement of financial position, results of operations, or disclosures:

- *Accounting for Acquisitions of Interests in Joint Operations*, issued May 2014:
  - Amendments to IFRS 11.

- *Clarification of acceptable methods of Depreciation and Amortization*, issued May 2014:
  - Amendments to IAS 16 and IAS 38.
- *Agriculture: Bearer Plants*, issued June 2014:
  - Amendments to IAS 16 and IAS 41.
- *Equity Method in Separate Financial Statements*, issued August 2014:
  - Amendments to IAS 27.
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, issued September 2014:
  - Amendments to IFRS 10 and IAS 28.

Annual Improvements 2012-2014 issued September 2014 and effective 1 January 2016:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*:
  - Changes in methods of disposal.
- IFRS 7 *Financial Instruments: Disclosures*:
  - Servicing contracts.
  - Applicability of the amendments to IFRS 7 to condensed interim financial statements.
- IAS 19 *Employee Benefits*:
  - Discount rate: regional market issue.
- IAS 34 *Interim Financial Reporting*:
  - Disclosure of information 'elsewhere in the interim financial report.'

None of the above updates, which have all been assessed by the Corporation, will have an impact on the statement of financial position or results of operations when adopted on 1 November 2015.

The IASB issued *Disclosure Initiative*, amendments to IAS 1 in December 2014 with an effective date of 1 January 2016. The Corporation is currently assessing the impact of the amendment.

The Corporation actively monitors the current projects undertaken by the IASB. Until the standards are issued in final form the Corporation is unable to assess the impact on the financial statements and notes.

The IASB is currently working on the following projects, the final standard and impact on the Corporation is unknown as at 13 May 2015:

- Insurance Contracts;
- Leases;
- Conceptual Framework;
- Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Marco Hedging;
- Rate-regulated Activities; and
- Disclosure Initiative.

5. Operating segment information

For management purposes, the Corporation is organized into two operating segments: OxC-Beta™ product sales and chemistry sales.

The Corporation's chief decision makers – the Chief Executive Officer and the Board of Directors – monitor the Corporation's operations as two main business segments: (1) the design, development, manufacture, marketing and support of OxC-Beta™ natural health products for livestock and companion animals, and (2) chemistry sales.

The Corporation's focus has been on proprietary products developed from the oxidation of carotenoids (OxC-Beta™). From this platform the Corporation is advancing product candidates for the food animal market, companion animal market and various potential human applications. Substantially all of the Corporation's current expenditures to date have related to OxC-Beta™.

The Corporation also generates modest revenues from sales of custom chemistry products such as deuterated analytical standards to various universities and research centres for use in clinical trials and studies.

These two segments represent the Corporation's reportable operating segments, which are used to manage the business. The Corporation analyzes the performance of its operating segments based on expenditures and revenue growth through commercialization.

In Canadian dollars, for the period ending 30 April 2015

For the three month period ended 30 April 2015	OxC-Beta™	Chemistry	Consolidated Total
Revenue	$ 1,380	$ 67,100	$ 68,480
Total revenue	**$ 1,380**	**$ 67,100**	**$ 68,480**
Gross margin	$ 1,121	$ 67,100	$ 68,221
Expenses	$ 485,739	$ 40,361	$ 526,100
Depreciation	$ 4,650	$ NIL	$ 4,650
Income tax expense	$ NIL	$ NIL	$ NIL
Net income (loss) after taxes	**$ (489,268)**	**$ 26,739**	**$ (462,529)**

For the six month period ended 30 April 2015	OxC-Beta™	Chemistry	Consolidated Total
Revenue	$ 2,482	$ 92,800	$ 95,282
Total revenue	**$ 2,482**	**$ 92,800**	**$ 95,282**
Gross margin	$ 2,056	$ 92,800	$ 94,856
Expenses	$ 1,001,139	$ 78,812	$ 1,079,951
Depreciation	$ 8,719	$ NIL	$ 8,719
Income tax expense	$ NIL	$ NIL	$ NIL
Net income (loss) after taxes	**$ (1,007,802)**	**$ 13,988**	**$ (993,814)**

For the three month period ended 30 April 2014	OxC-Beta™	Chemistry	Consolidated Total
Revenue	$ 301	$ 39,300	$ 39,601
Total revenue	**$ 301**	**$ 39,300**	**$ 39,601**
Gross margin	$ 36	$ 39,300	$ 39,336
Expenses	$ 471,991	$ 24,842	$ 496,833
Depreciation/Amortization	$ 8,206	$ NIL	$ 8,206
Income tax expense	$ NIL	$ NIL	$ NIL
Net income (loss) after taxes	**$ (480,161)**	**$ 14,458**	**$ (465,703)**

For the six month period ended 30 April 2014	OxC-Beta™	Chemistry	Consolidated Total
Revenue	$ 136,210	$ 72,109	$ 208,139
Total revenue	**$ 136,210**	**$ 72,109**	**$ 208,139**
Gross margin	$ 81,221	$ 72,109	$ 153,330
Expenses	$ 1,010,212	$ 53,169	$ 1,063,381
Depreciation/Amortization	$ 16,412	$ NIL	$ 16,412
Income tax expense	$ NIL	$ NIL	$ NIL
Net income (loss) after taxes	**$ (945,403)**	**$ 18,940**	**$ (926,463)**

All of the Corporation's assets and liabilities are located in Canada. All inventory, PP&E, intangible assets, and ACOA obligations are for the OxC-Beta™ operating segments. $1,000 (31 October 2014: $33,331) of accounts receivable is associated with the chemistry operating segment. All other assets and liabilities are not separated among the operating segments.

For the period ended 30 April 2015	OxC-Beta™	Chemistry	Consolidated Total
Non-Current Asset Additions			
Property and equipment	$ NIL	$ NIL	$ NIL
Intangible assets	$ NIL	$ NIL	$ NIL
	$ NIL	**$ NIL**	**$ NIL**

For the period ended 31 October 2014	OxC-Beta™	Chemistry	Consolidated Total
Non-Current Asset Additions			
Property and equipment	$ NIL	$ NIL	$ NIL
Intangible assets	$ NIL	$ NIL	$ NIL
	$ NIL	**$ NIL**	**$ NIL**

Non-Current Assets as at 30 April 2015	OxC-Beta™	Chemistry	Consolidated Total
Property and equipment	$ 23,830	NIL	$ 23,830
Intangible assets	$ NIL	NIL	$ NIL
	$ 23,830	**NIL**	**$ 23,830**

Non-Current Assets as at 31 October 2014	OxC-Beta™	Chemistry	Consolidated Total
Property and equipment	$ 32,549	NIL	$ 32,549
Intangible assets	$ NIL	NIL	$ NIL
	$ 32,549	**NIL**	**$ 32,549**

The Corporation determines the geographic location of revenues based on the location of its customers.

Sales for the three month period ending 30 April	2015	2014
Canada	$ NIL	$ 1,900
United States	$ 65,480	$ 33,301
Europe	$ NIL	$ 2,000
Other	$ 3,000	$ 2,400
	$ 68,480	**$ 39,601**

Sales for the six month period ending 30 April	2015	2014
Canada	$ 2,500	$ 4,900
United States	$ 88,782	$ 188,810
Europe	$ 1,000	$ 7,400
Other	$ 3,000	$ 7,209
	$ 95,282	**$ 208,319**

The Corporation had significant sales to one customer of $80,982 (85% of revenue) in the six month period ended 30 April 2015. The Corporation had a significant sale to a single customer of $138,018 (66% of revenue) in the six month period ended 30 April 2014.

As at 30 April 2015 and 13 May 2015, the Corporation has no unfulfilled service orders or product delivery orders.

6. Income taxes

The Corporation has available income tax losses in the amounts of $15,127,858 for the Canadian federal and provincial tax purposes which may be carried forward to reduce future years' taxable income and which expire as follows:

2015	$ 687,688
2026	544,416
2027	911,198
2028	437,970
2029	1,364,608
2030	1,920,211
2031	2,832,605
2032	2,049,964
2033	991,422
2034	1,792,330
2035	1,595,446
	$ 15,127,858

In Canadian dollars, for the period ending 30 April 2015

Deferred tax assets

The Corporation has the following deferred income tax assets for the periods ended:

	30 April 2015	31 October 2014
Non-capital loss carry-forwards	$ 4,008,822	$ 3,730,840
Cumulative eligible capital and PP&E	$ 438,316	$ 436,006
Scientific research and development tax credits	$ 65,985	$ 65,985
Investment tax credits	$ 6,775	$ 6,775
Total deferred income tax assets	$ 4,519,898	$ 4,239,606
Impairment allowance of 100% on the deferred income tax assets	$ (4,519,898)	$ (4,239,606)
Deferred income tax assets recognized in the statement of financial position	$ 0	$ 0

Reconciliation of taxable losses	6 month period ending 30 April 2015	6 month period ending 30 April 2014	Year ending 31 October 2014
Net (loss) before income taxes	$ (993,814)	$ (926,463)	$ (2,080,388)
Income tax (recovery) at the combined federal and provincial tax rate of 26.5%	$ (263,361)	$ (231,616)	$ (551,303)
Non-deductible share-based payments	$ 16,519	$ 15,853	$ 47,133
Depreciation and amortization	$ 2,311	$ 4,103	$ 8,771
Non-deductible share issue costs	$ (30,907)	$ (13,393)	$ (14,197)
Miscellaneous	$ 0	$ 43,519	$ 0
Income tax recovery not recognized – Impaired	$ 275,438	$ 181,534	$ 509,596
Income tax recovery recognized on the statement of profit or loss and other comprehensive income	$ 0	$ 0	$ 0

The Corporation has unclaimed Canadian federal and provincial research and development expenditures of approximately $249,000 which may be carried forward indefinitely to reduce future years' taxable income. The Corporation also has investment tax credits (“ITCs”) of $25,565 available to reduce future years' Canadian federal income tax payable and which begin to expire in 2020. The potential benefits relating to the available losses and unclaimed research and development expenditures have been impaired in the unaudited consolidated interim statement of financial position as it is not probable that they will be received. Tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the tax asset may be used.

7. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects. As the Corporation incurred a net loss during the periods ending 30 April 2015 and 31 October 2014, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per shares because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as noted below. The following outstanding instruments could have a dilutive effect in the future:

As at 30 April 2015 (see note 14 for terms and conditions on the following financial instruments)	
Stock Appreciation Rights (SARs)[1]	3,024,242
Options – Share-based payments[2]	13,178,430
Subscriber Warrants	68,259,698
Agent Warrants	5,023,171
Total	89,485,541

1: Of which 2,649,242 have vested as of 30 April 2015.
2: Of the 13,178,430 stock options granted, 10,626,346 have vested as of 30 April 2015.

In Canadian dollars, for the period ending 30 April 2015

The following reflects the loss and unit data used in the basic and diluted earnings per share computations:

	Three months ended 30 April	
	2015	**2014**
Net loss attributable to ordinary equity holders of the parent for basic loss	$ (462,529)	$ (465,703)
Net loss attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**$ (462,529)**	**$ (465,703)**
	30 April 2015	**30 April 2014**
Weighted average number of common shares for basic loss per share	196,375,395	168,289,534
Effect of dilution on common shares:	Nil	Nil
Loss per share (basic and diluted)	**$ (0.002)**	**$ (0.003)**

	Six months ended 30 April	
	2015	**2014**
Net loss attributable to ordinary equity holders of the parent for basic loss	$ (993,814)	$ (926,463)
Net loss attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**$ (993,814)**	**$ (926,463)**
	30 April 2015	**30 April 2014**
Weighted average number of common shares for basic loss per share	190,125,395	166,587,284
Effect of dilution on common shares:	Nil	Nil
Loss per share (basic and diluted)	**$ (0.005)**	**$ (0.006)**

In Canadian dollars, for the period ending 30 April 2015

8. Property and equipment

	Laboratory equipment	Manufacturing equipment	Office equipment	Leasehold improvements	Total
Cost:					
At 1 November 2013	$332,696	$26,507	$44,821	$28,650	$432,674
Additions	$0	$0	$0	$0	$0
Disposals	$0	$0	$0	$0	$0
At 31 January 2014	**$332,696**	**$26,507**	**$44,821**	**$28,650**	**$432,674**
Additions	$0	$0	$0	$0	$0
Disposals	$0	$0	$0	$0	$0
At 30 April 2014	**$332,696**	**$26,507**	**$44,821**	**$28,650**	**$432,674**
Additions	$0	$0	$0	$0	$0
Disposals	$0	$0	$(1,544)	$0	$(1,544)
At 31 July 2014	**$332,696**	**$26,507**	**$43,277**	**$28,650**	**$431,130**
Additions	$0	$0	$0	$0	$0
Disposals	$0	$0	$0	$(28,650)	$(28,650)
At 31 October 2014	**$332,696**	**$26,507**	**$43,277**	**$0**	**$402,480**
Additions	$0	$0	$0	$0	$0
Disposals	$0	$0	$0	$0	$0
At 31 January 2015	**$332,696**	**$26,507**	**$43,277**	**$0**	**$402,480**
Additions	$0	$0	$0	$0	$0
Disposals	$(4,609)	$0	$(3,119)	$0	$(7,728)
At 30 April 2015	**$328,087**	**$26,507**	**$40,158**	**$0**	**$394,752**
Depreciation and impairment:					
At 1 November 2013	$284,721	$15,939	$38,124	$28,650	$367,434
Depreciation charge for the period	$5,997	$1,321	$837	$0	$8,155
Disposals	$0	$0	$0	$0	$0
Impairment	$0	$0	$0	$0	$0
At 31 January 2014	**$290,718**	**$17,260**	**$38,961**	**$28,650**	**$375,589**
Depreciation charge for the period	$5,997	$1,321	$837	$0	$8,155
Disposals	$0	$0	$0	$0	$0
Impairment	$0	$0	$0	$0	$0
At 30 April 2014	**$296,715**	**$18,581**	**$39,798**	**$28,650**	**$383,744**
Depreciation charge for the period	$5,997	$1,321	$925	$0	$8,243
Disposals	$0	$0	$(1,544)	$0	$(1,544)
Impairment	$0	$0	$0	$0	$0
At 31 July 2014	**$302,712**	**$19,902**	**$39,179**	**$28,650**	**$390,443**
Depreciation charge for the period	$5,997	$1,321	$820	$0	$8,138
Disposals	$0	$0	$0	$(28,650)	$(28,650)
Impairment	$0	$0	$0	$0	$0
At 31 October 2014	**$308,709**	**$21,223**	**$39,999**	**$0**	**$369,931**
Depreciation charge for the period	$2,998	$661	$410	$0	$4,069
Disposals	$0	$0	$0	$0	$0
Impairment	$0	$0	$0	$0	$0
At 31 January 2015	**$311,707**	**$21,884**	**$40,409**	**$0**	**$374,000**
Depreciation charge for the period	$3,400	$660	$590	$0	$4,650
Disposals	$(4,609)	$0	$(3,119)	$0	$(7,728)
Impairment	$0	$0	$0	$0	$0
At 30 April 2015	**$310,498**	**$22,544**	**$37,880**	**$0**	**$370,922**
Carrying amount:					
At 30 April 2015	$17,589	$3,963	$2,278	$0	$23,830
At 31 October 2014	$23,987	$5,284	$3,278	$0	$32,549

9. Research and development repayable funding

During the year ended 31 October 2006, the Corporation entered into an agreement to obtain repayable funding from the Atlantic Canada Opportunities Agency ("ACOA"). Under the agreement, the Corporation may draw up to 75% of certain of its research and development project expenditures, up to $2,052,131, over a four-year period.

In Canadian dollars, for the period ending 30 April 2015

As at 30 April 2015, the full amount of $2,052,131 (31 October 2014: $2,052,131) was cumulatively drawn under the agreement (Project 1) of which $1,192 was repaid in the fiscal year ending October 31, 2014. Under the terms of the ACOA arrangement, no dividends may be distributed by the Corporation until the obligations of that agreement are satisfied.

During the year ended 31 October 2010, the Corporation entered into another ACOA arrangement (Project 2). Under Project 2, the Corporation may draw up to 57% of certain of its research and development expenditures up to $2,000,000 over four years. The project relates to the development of natural, non-antibiotic products enhancing food animal productivity through the prevention and control of common livestock bacterial diseases. As at 30 April 2015, $1,217,345 (31 October 2014 - $1,065,709) was drawn under the new ACOA arrangement. The new agreement expired as at 30 April 2014 and was renewed on 26 October 2014 with a new expiry date of 30 June 2015.

The repayable funding is recorded at the amounts drawn under the agreements. Balances outstanding carry no interest as long as the agreements are not in default.

Balances outstanding are repayable over a ten-year period, which commenced on 30 June 2014. Yearly repayments are capped at 10% of product revenues of the prior year from the resulting product. As it is not possible to estimate the repayment terms, the repayable funding is being carried at its face value in the statement of financial position and has not been discounted to its fair value (as required under IAS 39), as no reliable or relevant measure could be provided.

As at 30 April 2015, $3,269,476 has been drawn under the ACOA agreements. $1,192 was repaid 30 June 2014 for a balance of $3,268,284. Assuming the Corporation repaid the ACOA obligations consistent with management's estimates, with a discount rate of 10% the fair value of the repayable funding would be $2,125,908.

In addition, as required under IAS 20 *Government Grants*, interest free loans are considered a grant. The benefit of the government grant and interest free repayable funding details are provided in Note 17 and Note 19 and in the Government Grants' policy notes 2.2(E).

The repayment under project 1 and 2 is based on 10% of the prior year product revenues. For the year ending 31 October 2014 the total revenues of $295,671 consisted of $156,834 for services and $138,837 for products. Accordingly, the current portion repayable under the ACOA agreement is 10% of $138,837 or $13,884. As at 30 April 2015 $13,884 is shown as current on the statement of financial position and is due to ACOA on 30 June 2015. The $3,254,400 balance of the liability is shown as non-current.

	ACOA Project 1	**ACOA Project 2**	**Total**
Total Research and Development Repayable Funding as at 30 April 2015	$ 2,050,939	$ 1,217,345	$ 3,268,284
Current Liability			
Repayable as at 30 April 2015	$ 13,884	$ NIL	$ 13,884
Non-current Liability as at 30 April 2015	$ 2,037,055	$ 1,217,345	$ 3,254,400

	ACOA Project 1	**ACOA Project 2**	**Total**
Total Research and Development Repayable Funding as at 31 October 2014	$ 2,050,939	$ 1,065,709	$ 3,116,648
Current Liability			
Repayable as at 31 October 2014	$ 13,884	$ Nil	$ 13,884
Non-current Liability as at 31 October 2014	$ 2,037,055	$ 1,065,709	$ 3,102,764

Under Project 1, the Corporation must maintain a minimum shareholders' equity, adjusted to exclude costs related to the OxC-Beta project of $540,000. According to Project 2, the Corporation is required to maintain shareholders' equity, excluding the effect of eligible project costs, of $804,000. The Corporation was in compliance with the covenant agreements as at 30 April 2015 and 31 October 2014.

In Canadian dollars, for the period ending 30 April 2015

10. Fair values

Set out below is a comparison by class of the carrying amount and fair value of the Corporation's financial instruments that are carried in the financial statements.

	Carrying Cost		Fair Value	
	30 April 2015	31 October 2014	30 April 2015	31 October 2014
Financial assets				
Cash and cash equivalents	$ 1,385,721	$ 768,794	$ 1,385,721	$ 768,794
Trade and other accounts receivable	$ 16,600	$ 49,041	$ 16,600	$ 49,041
Total Financial Assets	**$ 1,402,321**	**$ 817,835**	**$ 1,402,321**	**$ 817,835**
Financial liabilities				
Accounts payable and accrued liabilities	$ 129,158	$ 144,032	$ 129,158	$ 144,032
Research and development repayable funding	$ 3,268,284	$ 3,116,648	$ 2,125,908	$ 1,946,712
Total Financial Liabilities	**$ 3,397,442**	**$ 3,260,680**	**$ 2,255,066**	**$ 2,090,744**

The fair value of the financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Trade and other accounts receivables, accounts payable and accrued liabilities, and other current liabilities approximate fair value at their carrying amounts largely due to the short-term maturities of these instruments.
- Research and development repayable funding is recorded at the amount drawn under the agreements. As it is not possible to estimate the repayment terms, the repayable funding is being carried at its face value and has not been discounted to its fair value (as required under IAS 39), as no reliable or relevant measure could be provided. Note 9 explains the fair value calculation and assumptions used.
- Fair values of quoted instruments, if any, are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities

Fair value hierarchy

As at 30 April 2015, the Corporation held the following financial instruments measured at Level 1 fair value: cash and cash equivalents.

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	**30 April 2015**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 1,385,721	$ 1,385,721	$ 0	$ 0
No Liabilities were measured at fair value	**NIL**	**NIL**	**NIL**	**NIL**

During the reporting periods ending 30 April 2015 and 31 October 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

11. Inventories

	30 April 2015	31 October 2014
Raw materials (at cost)	$ NIL	$ NIL
Work in progress (at cost)	$ NIL	$ 18,263
Finished goods (at cost or net realizable value)	$ 16,241	$ NIL
Total inventories at the lower of cost and net realizable value	**$ 16,241**	**$ 18,263**

In Canadian dollars, for the period ending 30 April 2015

The amount of the inventories recognized as an impairment in the three and six month periods ending 30 April 2015 is $Nil (30 April 2014: $Nil)

The following table sets forth details of cost of sales:

Three months ending:	**30 April 2015**	**30 April 2014**
Inventory expensed (Note A)	$ 689	$ 4,319
Labour costs	$ NIL	$ NIL
Other costs	$ NIL	$ NIL
	$ 689	**$ 4,319**

Note A: Inventory expense in the three month period ended 30 April 2015 consists of $259 in cost of product sold and $430 expensed for marketing. Inventory expense in the three month period ended 30 April 2014 consisted of $265 in cost of product sold and $4,054 expensed for marketing purposes.

Six months ending:	**30 April 2015**	**30 April 2014**
Inventory expensed (Note B)	$ 1,165	$ 59,670
Labour costs	$ NIL	$ NIL
Other costs	$ NIL	$ NIL
	$ 1,165	**$ 59,670**

Note B: Inventory expense in the six month period ended 30 April 2015 consists of $426 in cost of product sold and $739 expensed for marketing. Inventory expense in the six month period ended 30 April 2014 consisted of $54,989 in cost of product sold and $4,681 expensed for marketing purposes.

12. Trade and other accounts receivables

	30 April 2015	**31 October 2014**
Trade receivables	$ 1,000	$ 33,300
Receivables from tax authorities (HST)	$ 15,600	$ 15,741
	$ 16,600	**$ 49,041**

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

As at 30 April 2015, trade and other receivables were not impaired.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**> 60 days**
30 April 2015	$1,000	$1,000	$NIL	$NIL	$NIL
31 October 2014	$33,300	$33,300	$NIL	$NIL	$NIL

13. Cash and cash equivalent

	30 April 2015	**31 October 2014**
Cash at banks and on hand	$ 1,385,721	$ 768,794
Total cash and cash equivalents	**$ 1,385,721**	**$ 768,794**

Cash at banks earn interest at floating rates based on daily bank deposit rates.

As at 30 April 2015, the Corporation had $782,655 in available undrawn committed research and development repayable funding in respect of which all conditions precedent have not been met (31 October 2014: $934,289). The research and development repayable funding was extended until 30 June 2015. It is not probable that the Corporation will draw any significant remaining funding.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the amounts noted above.

In Canadian dollars, for the period ending 30 April 2015

14. Equity instruments

14.1 Common Shares

Authorized
The authorized share capital of the Corporation consists of unlimited voting common shares without par value.

	Number of shares	Amount
Beginning balance at 31 October 2012	**96,701,940**	**$ 7,753,907**
Shares issued	930,000	$ 93,000
Share issue costs		$ 0
Balance at 31 January 2013	**97,631,940**	**$ 7,846,907**
Shares issued (1) (2) (3)	21,616,330	$ 1,182,908
Share issue costs		$ (44,436)
Balance at 30 April 2013	**119,248,270**	**$ 8,985,379**
Shares issued (4) (5) (6)	850,000	$ 85,000
Share issue costs		$ 0
Balance at 31 July 2013	**120,098,270**	**$ 9,070,379**
Shares issued (7)	29,647,202	$ 1,660,243
Share issue cost		$ (177,528)
Balance at 31 October 2013	**149,745,472**	**$ 10,553,094**
Shares issued (8)	17,706,471	$ 991,562
Share issue cost		$ (53,572)
Balance at 31 January 2014	**167,451,943**	**$ 11,491,084**
Shares issued (9) (10)	3,923,452	$ 208,153
Share issue cost		$ 0
Balance at 30 April 2014	**171,375,395**	**$ 11,699,237**
Shares issued	0	$ 0
Share issue cost		$ 0
Balance at 31 July 2014	**171,375,395**	**$ 11,699,237**
Shares issued	0	$ 0
Share issue cost		$ 0
Balance at 31 October 2014	**171,375,395**	**$ 11,699,237**
Shares issued (11)	25,000,000	$ 1,118,012
Share issue cost		$ (116,629)
Issuance of agent warrants		$ (45,698)
Balance at 31 January 2015	**196,375,395**	**$ 12,654,922**
Shares issued	0	$ 0
Share issue cost		$ 0
Balance at 30 April 2015	**196,375,395**	**$ 12,654,922**

In Canadian dollars, for the period ending 30 April 2015

The following reflects the equity transactions for the current and previous year:

Date	Warrants issued (exercised)	Exercise price	Shares issued	Issue price	Total
5-Mar-2013(1)	9,878,573 634,800 agent	$0.10	9,878,573	$0.07	$691,500
12-Apr-2013(2)	-	-	10,612,757	$0.068	$721,668 debt-to-equity exchange
24-Apr-2013(3)	-	-	1,125,000	$0.08	$90,000 debt-to-equity exchange
18-Jun-2013(4)	(500,000)	$0.10	500,000	-	$50,000
21-Jun-2013(5)	(150,000)	$0.10	150,000	-	$15,000
10-Jul-2013(6)	(200,000)	$0.10	200,000	-	$20,000
2-Oct-2013(7)	14,823,601 1,774,689 agent	$0.12 $0.10	29,647,202	$0.07	$2,075,304
14-Nov-2013(8)	8,853,236	$0.12	17,706,471	$0.07	$1,239,453
11-Apr-2014(9)	-	-	1,459,164	$0.056	$81,713 debt-to-equity exchange
11-Apr-2014(10)	1,232,144	$0.12	2,464,288	$0.07	$172,500
16-Dec-2014(11)	12,500,000 1,269,396 agent	$0.10 $0.06	25,000,000	$0.06	$1,500,000

1. On 5 March, 2013, the Corporation issued a total of 9,878,573 common shares and an equal number of common share purchase warrants for gross proceeds of $691,500 through a non-brokered private placement. This private placement involved the sale of units, each compromised of one common share and one common share purchase warrant, for a unit price of $0.07. Each warrant entitles the holder to acquire one common share of the Corporation at an additional purchase price of $0.10 per share for three years from closing. In connection with the placement the Corporation also paid a total of $44,436 in cash and issued a total of 634,800 warrants to agents as commissions. The warrants are on the same terms as the warrants issued to subscribers.
2. On 12 April 2013, the Corporation issued 10,612,757 common shares at a price of $0.068 in settlement of $721,668 of trade payables and other obligations. Some of the obligations were settled with related parties to the Corporation.
3. On 24 April 2013, the Corporation issued 1,125,000 common shares at $0.08 in partial settlement of a trade payable for total proceeds of $90,000.
4. On 18 June 2013, 500,000 warrants were exercised at $0.10 per warrant for the issuance of 500,000 common shares to raise $50,000. The warrants were exercised by a related party to the Corporation.
5. On 21 June 2013, 150,000 warrants were exercised at $0.10 per warrant for the issuance of 150,000 common shares to raise $15,000. The warrants were exercised by a related party to the Corporation.
6. On 10 July 2013, 200,000 warrants were exercised at $0.10 per warrant for the issuance of 200,000 common shares to raise $20,000. The warrants were exercised by a related party to the Corporation.
7. On 2 October 2013, the Corporation issued 29,647,202 common shares and 14,823,601 investor warrants for a unit price of $0.07 for total proceeds of $2,075,304. Each investor warrant entitles the holder to acquire one common share of the Corporation at an additional purchase price of $0.12 per share for three years from closing. In connection with the placement, the Corporation also paid a total of $124,288 in cash and issued a total of 1,774,689 agent warrants as commissions. These agent warrants entitle the holder to acquire one common share of the Corporation at an additional purchase price of $0.10 per share for two years from closing.
8. On 14 November 2013, the Corporation issued 17,706,471 common shares at $0.07 per share with one-half of a common share purchase warrant for total proceeds of $1,239,453. The issuance cost was $53,572. Each whole warrant entitles the holder to acquire one common share of the Corporation at a price of $0.12 per share for three years after closing.
9. On 11 April 2014, the Corporation issued 1,459,164 common shares at $0.056 per share to settle payables to related parties of $81,713.

In Canadian dollars, for the period ending 30 April 2015

10. On 11 April 2014, the Corporation issued 2,464,288 common shares at $0.07 per share with one-half of a common share purchase warrant for total proceeds of $172,502. Each whole warrant entitles the holder to acquire one common share of the Corporation at a price of $0.12 per share for three years after closing. All of these financial instruments were acquired by related parties to the Corporation.
11. On 16 December 2014, the Corporation completed a non-brokered private placement of 25,000,000 units for gross proceeds of $1,500,000. Each unit consisted of one common share and one half common share purchase warrant for a unit price of $0.06. Each whole warrant entitles the holder to acquire one common share of the Corporation at a purchase price of $0.10 for three years. Related parties participated in the financing in the amount of $142,000. The Corporation paid commissions and finder's fees in connection with the private placement in the amount of $83,814 and 1,269,396 finder warrants. Each finder warrant entitles the finder to purchase one common share of the Corporation for two years at $0.06. Legal transaction fees for the private placement were $26,065. TSX filing fees of $6,750 were also incurred.

14.2 Warrants

As at 30 April 2015, the Corporation has 68,259,698 subscriber warrants and 5,023,171 agent warrants for a total of 73,282,869 warrants. The details are as follows:

		Subscriber Warrants		
Date of Issue	**Warrants**	**Term (Years)**	**Year of Expiry**	**Exercise Price**
23-Nov-11	5,000,000	5	2016	$ 0.10
28-Dec-11	510,000	5	2016	$ 0.10
30-Jan-12	3,060,000	5	2017	$ 0.10
16-May-12	5,901,715	3	2015	$ 0.10
29-Jun-12	1,429,000	3	2015	$ 0.10
22-Oct-12	5,071,429	3	2015	$ 0.10
05-Mar-13	9,878,573	3	2016	$ 0.10
02-Oct-13	14,823,601	3	2016	$ 0.12
14-Nov-13	8,853,236	3	2016	$ 0.12
11-Apr-14	1,232,144	3	2017	$ 0.12
16-Dec-14	12,500,000	3	2017	$ 0.10
Totals:	**68,259,698**			

		Agent Warrants		
Date of Issue	**Warrants**	**Term (Years)**	**Year of Expiry**	**Exercise Price**
23-Nov-11	450,000	5	2016	$ 0.10
30-Jan-12	276,000	5	2017	$ 0.10
16-May-12	46,857	3	2015	$ 0.10
22-Oct-12	571,429	3	2015	$ 0.10
05-Mar-13	634,800	3	2016	$ 0.10
02-Oct-13	1,774,689	2	2015	$ 0.10
16-Dec-14	1,269,396	2	2016	$ 0.06
Totals:	**5,023,171**			

14.3 Share-based Payments

The Corporation adopted a stock option plan ("Option Plan") on 4 August 2005. The Option Plan is administered by the Board of Directors of the Corporation who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one day and three years. Options under the Plan remain exercisable for five years from the date of grant. The maximum number of common share reserved for issuance for options that may be granted under the Option Plan was 15,907,934. On 19 January 2015 the Board of Directors authorized the increase of the Option Plan from 15,907,934 to 18,655,663 and the TSX.V approved the amendment on 27 January 2015.

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Activity related to the share-based payments is as follows:

	Total		Weighted average exercise price
Balance Outstanding at 1 November 2012	**2,038,500**	**$**	**0.15**
Granted	8,687,763	$	0.10
Expired and forfeited	(1,066,500)	$	0.20
Balance Outstanding at 31 October 2013	**9,659,763**	**$**	**0.105**
Granted	1,000,000	$	0.10
Expired and forfeited	0	$	0
Balance Outstanding at 31 January 2014	**10,659,763**	**$**	**0.104**
Granted	360,000	$	0.10
Expired and forfeited	(686,000)	$	0.14
Balance Outstanding at 30 April 2014	**10,333,763**	**$**	**0.1017**
Granted	3,066,667	$	0.07
Expired and forfeited	(50,000)	$	0.07
Balance Outstanding at 31 July 2014	**13,350,430**	**$**	**0.0944**
Granted	0	$	0
Expired and forfeited	(150,000)	$	0.205
Balance Outstanding at 31 October 2014	**13,200,430**	**$**	**0.0932**
Granted	0	$	0
Expired and forfeited	0		0
Balance Outstanding at 31 January 2015	**13,200,430**	**$**	**0.0932**
Granted	0	$	0
Expired and forfeited	(22,000)	$	0.125
Balance Outstanding at 30 April 2015	**13,178,430**	**$**	**0.0931**

Options exercisable as at:	**Total**		**Weighted average exercise price**
30 April 2015	10,626,346	$	0.0968
31 October 2014	9,894,180	$	0.0989

	Options Outstanding		**Options Exercisable**	
Exercise price	**Number**	**Weighted Average Remaining Contractual Life in Months**	**Number**	**Weighted Average Remaining Contractual Life in Months**
$0.07	3,016,667	48.7	1,131,250	48.7
$0.10	360,000	47.2	360,000	47.2
$0.10	8,237,763	34.4	8,237,763	34.4
$0.10	500,000	11.6	500,000	11.6
$0.10	64,000	23.9	64,000	23.9
$0.10	1,000,000	41.6	333,333	41.6
	13,178,430		**10,626,346**	

Activity related to stock options is as follows:

For the period ended 30 April 2015, the Corporation recorded $26,663 (30 April 2014: $32,890) as contributed surplus and compensation expense for the vesting of stock options ($22,885) and SARs ($3,778), which is measured at fair value at the date of grant and is expensed over the option's vesting period. In determining the amount of share-based compensation, the Corporation used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions and inputs:

	2014-2015	**2013**
Stock price	$0.06-$0.07	$0.08-0.085
Exercise price	$0.07-$0.10	$0.10
Risk-free interest rate	1.54%-1.67%	1.75%-2%
Expected life in years	5.0	3.0-5.0
Expected dividend yield	0%	0%
Volatility	141.21%-142.46%	97%-155%
Fair value of options issued in the periods	$0.053-$0.061	$0.056-$0.066

Volatility was determined by using the historical volatility of the stock over a 3 to 5 year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options. Market conditions were not considered in the fair value calculation.

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14.4 Stock Appreciation Rights

On 11 March 2013, the Corporation granted 2,424,242 stock appreciation rights (SARs) to the CEO with an exercise price of 8.25 cents. The SARs issued to the CEO vest and are exercisable immediately, at the option of the executive, at the excess of the current stock price over the exercise price. The SARs are redeemable into cash or common shares of the Corporation, at the option of the Corporation. The SARs are exercisable for a five-year period.

As the conversion of the SARs into cash or common shares is at the option of the Corporation, and it is probable that the common share conversion would be elected by the Corporation, IFRS 2 requires the transaction to be accounted for as equity-settled share-based compensation. The charge to contributed surplus in the prior fiscal year ending 31 October 2013 was $161,455. The Black Scholes option pricing model was employed to determine fair value with the following assumptions and inputs:

Stock price	$0.0825
Exercise price	$0.0825
Risk-free interest rate	1.75%
Expected life in years	3.0
Expected dividends	$0
Volatility	155%
Vesting	Day 1
Fair value of each SAR	$0.0666

On 20 May 2014, the Corporation issued 600,000 SARs to a Director of the Corporation (Chairman of the Board) with an exercise price of $0.07. The SARs are redeemable into cash or common shares of the Corporation, at the option of the Corporation. As the conversion of the SARs into cash or common shares is at the option of the Corporation, and it is probable that the common share conversion would be elected by the Corporation, IFRS 2 requires the transaction to be accounted for as equity-settled share-based compensation.

The SARs vest over a period of eight quarters and expire in five years. As at 30 April 2015, 225,000 of the SARs have vested and are exercisable. The charge to contributed surplus for the period ending 30 April 2015 was $3,778. The Black Scholes option pricing model was employed to determine fair value with the following assumptions and inputs:

Stock price	$0.06
Exercise price	$0.07
Risk-free interest rate	1.54%
Expected life in years	5.0
Expected dividends	$0
Volatility	141.21%
Vesting	2 years over 8 quarters
Fair value of each SAR	$0.053

Volatility was determined by using the historical volatility of the stock over a 1 to 5 year period. The expected life in years represents the period of time that SARs granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the SARs. Market conditions were not considered in the fair value calculation.

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15. Contributed surplus

Contributed surplus charge for the period ending 30 April 2015 consisted of $26,663 for share-based payments (30 April 2014: $32,890).

Opening balance, 31 October 2013	**$ 4,771,641**
Share-based payments	$ 30,525
Issuance of investor warrants	$ 247,891
Balance as at 31 January 2014	**$ 5,050,057**
Share-based payments	$ 32,890
Issuance of investor warrants	$ 46,062
Balance as at 30 April 2014	**$ 5,129,009**
Share-based payments	$ 59,520
Issuance of investor warrants	$ 0
Balance as at 31 July 2014	**$ 5,188,529**
Share-based payments	$ 54,925
Issuance of investor warrants	$ 0
Balance as at 31 October 2014	**$ 5,243,454**
Share-based payments	$ 35,674
Issuance of investor warrants	$ 381,988
Issuance of agent warrants	$ 45,698
Balance at 31 January 2015	**$ 5,706,814**
Share-based payments	$ 26,663
Issuance of investor warrants	$ 0
Balance as at 30 April 2015	**$ 5,733,477**

Contributed surplus consists of expired and outstanding share-based payments, stock appreciation rights, subscriber warrants, and agent warrants. The reconciliation of the expired and outstanding instruments is as follows:

As at 30 April 2015	**Units outstanding**	**Fair value of units**
Stock appreciation rights (SARs) outstanding	3,024,242	$ 186,654
Share-based payments – options outstanding	13,178,430	$ 784,172
Subscriber and agent warrants outstanding	73,282,869	$ 2,461,486
Total instruments outstanding	89,485,541	$ 3,432,312
Total expired instruments		$ 2,301,165
Balance of contributed surplus as at 30 April 2015		**$ 5,733,477**

As at 31 October 2014	**Units outstanding**	**Fair value of units**
Stock appreciation rights (SARs) outstanding	3,024,242	$ 195,153
Share-based payments – options outstanding	13,200,430	$ 733,513
Subscriber and agent warrants outstanding	61,236,438	$ 2,001,173
Total instruments outstanding	77,461,110	$ 2,929,839
Total expired instruments		$ 2,313,615
Balance of contributed surplus as at 31 October 2014		**$ 5,243,454**

16. Dividends paid and proposed

Cash Dividends

The Corporation's practice is to not make dividend payments to shareholders. Under the terms of the Research and Development ACOA agreements no dividends may be paid until the ACOA obligations are fully repaid.

17. Government grants

Atlantic Canada Opportunities Agency (ACOA) and Industrial Research Assistance Program (IRAP)

During the three and six month periods ended 30 April 2015 and 30 April 2014, the Corporation recorded government assistance related to IRAP against research and development expenses. The IRAP funding program is non-repayable and was received through various programs.

In Canadian dollars, for the period ending 30 April 2015

For the periods ended 30 April	3 months ending 30 April 2015	3 months ending 30 April 2014	6 months ending 30 April 2015	6 months ending 30 April 2014
IRAP received or receivable during the period	$ Nil	$ 692	$ Nil	$ 5,862
Total for the periods	**$ Nil**	**$ 692**	**$ Nil**	**$ 5,862**

Government grants have been received under various programs.

	3 months ending 30 April 2015	3 months ending 30 April 2014	6 months ending 30 April 2015	6 months ending 30 April 2014
Interest expense from ACOA	$ (81,707)	$ (76,573)	$ (162,573)	$ (151,165)
Government grant from ACOA	$ 81,707	$ 76,573	$ 162,573	$ 151,165
Net expense/grant	**$ NIL**	**$ NIL**	**$ NIL**	**$ NIL**

The Corporation has an interest-free obligation with ACOA. The interest free portion under IAS 39 and IAS 20 is fair valued and the interest expense is deemed a government grant and an interest expense. The Corporation estimates the risk-adjusted borrowing rate for the financial instrument is approximately 10%.

18. Accounts payables and accrued liabilities

For the periods ended	31 April 2015	31 October 2014
Trade payable	$ 82,978	$ 107,203
Staff and board compensation payable	$ 46,180	$ 36,829
Total	**$ 129,158**	**$ 144,032**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and interest bearing and are normally settled on 30-day terms.
- Related parties payables are non-interest bearing and is monies due for key management compensation and employees' earned vacation pay.

19. Expenses: disclosure of expenses by function

The details of the Corporation's functional expenses are as follows:

For the period ended:	3 months ended 30 April 2015	3 months ended 30 April 2014	6 months ended 30 April 2015	6 months ended 30 April 2014
Selling, general, and administrative				
Salary and wages	$ 148,555	$ 124,980	$ 324,245	$ 265,141
Benefits	22,412	22,611	46,242	32,017
Professional fees	105,900	98,354	184,910	289,614
Board fees	10,692	13,480	21,379	26,677
Share-based payment and SARs	26,663	32,890	62,337	63,415
Rent	19,626	16,117	36,528	30,987
Conference, travel, and meals	28,367	21,121	51,010	52,774
TSX and filing fees	10,834	10,293	13,757	24,729
Insurance	6,941	14,222	14,397	19,860
Advertising, marketing, IT, and office	18,228	14,561	52,375	24,597
Foreign exchange loss (gain)	15,154	Nil	15,154	(10,436)
Bank, interest, and other expense	(2,964)	(1,856)	(4,037)	(229)
Total selling, general, and administrative	**$ 410,408**	**$ 366,773**	**$ 818,297**	**$ 819,146**

For the period ended:	3 months ended 30 April 2015	3 months ended 30 April 2014	6 months ended 30 April 2015	6 months ended 30 April 2014
Research and development				
Salary and wages	$ 83,300	$ 81,433	$ 182,600	$ 174,108
Benefits	8,342	7,889	16,160	11,882
Lab, trial, and professional fees	7,134	25,059	32,804	35,693
Rent	14,494	14,485	25,970	24,692
R&D Grants (Note 17)	Nil	(692)	Nil	(5,862)
Interest Expense (Note 17)	81,707	76,573	162,573	151,165
ACOA Government Grant (Note 17)	(81,707)	(76,573)	(162,573)	(151,165)
Other	2,422	1,886	4,120	3,722
Total research and development	**$ 115,692**	**$ 130,060**	**$ 261,654**	**$ 244,235**

In Canadian dollars, for the period ending 30 April 2015

The directors, officers, and employees of the Corporation are classified by function as follows:

Classification	**Number Employed as at 30 April 2015**	**Number Employed as at 30 April 2014**
Selling, general, and administration		
Directors and Officers	8	8
Administrative	2	2
Sales and Marketing	2	2
Total selling, general, and administration	12	12
Research and development		
Research and development	3	3
Specialty chemistry staff	2	2
Total research and development	5	5
Total staff	17	17

20. Related party disclosures

The financial statements include the financial statements of the Corporation and the wholly owned subsidiary, Avivagen Animal Health, Inc., incorporated in Canada.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Balances with related parties (See Note 18)	**Interest Received**	**Amounts owed by related parties**	**Amounts owed to related parties**
31 April 2015	$Nil	$Nil	$ 46,180
31 October 2014	$Nil	$Nil	$ 36,829

Key management compensation

Key management consists of the Chief Executive Officer and the Board of Directors.

	3 months ending 30 April 2015	**3 months ending 30 April 2014**	**6 months ending 30 April 2015**	**6 months ending 30 April 2014**
Short term employee benefits	$ 88,098	$ 125,676	$ 201,315	$ 255,984
Long term employee benefits	$ NIL	$ NIL	$ NIL	$ NIL
Post-retirement employee benefits	$ NIL	$ NIL	$ NIL	$ NIL
Share-based payments	$ 13,960	$ 2,374	$ 33,442	$ 15,943
Termination payments	$ NIL	$ NIL	$ NIL	$ NIL
For the periods ended	**$ 102,058**	**$ 128,050**	**$ 234,757**	**$ 271,927**

For the six month period ending 30 April 2015, the Corporation has received consulting services from a related party in the amount of $Nil (30 April 2014 - $31,661).

The ultimate parent

The Corporation is the ultimate parent entity. The common shares are widely held. Due to holdings held by intermediaries and third parties, the Corporation is not able to provide detailed shareholders' ownership information.

In Canadian dollars, for the period ending 30 April 2015

Entity with significant influence over the Corporation
No single entity or party is known to have significant influence over the Corporation. As at 30 April 2015, the Corporation has 196,375,395 common shares outstanding. Related parties (direct and indirect) holdings are as follows:

Name and Residence	Present Position; Directors and Officers with the Corporation	Number of Common Shares of the Corporation Held	Percentage of Total Common Shares
Dr. Graham Burton Ontario, Canada	Director, Commercialization Science and Director of the Board	2,375,111	1.209%
Dr. Janusz Daroszewski Ontario, Canada	Director, Product Development & Quality Assurance and Director of the Board	2,153,414	1.097%
David Hankinson Nova Scotia, Canada	Executive Director and Director of the Board	126,562	0.064%
Dr. Chandra Panchal Québec, Canada	Director of the Board	621,085	0.316%
Kym Anthony Ontario, Canada	Director of the Board (Chairman of the Board)	3,095,238	1.576%
Amin Khalifa California, USA	Director of the Board (Chairman of the Audit Committee)	2,263,176	1.152%
Cameron Groome Ontario, Canada	Director of the Board, President & CEO	1,187,000	0.604%
Christopher Boland Ontario, Canada	Chief Financial Officer (not a Director of the Board)	549,999	0.280%
Total		**12,371,585**	**6.298%**

No single entity or party has significant influence over the Corporation. As at 30 April 2015 the Corporation has 73,282,869 warrants outstanding. Related parties (direct and indirect) holdings are as follows:

Name and Residence	Present Position; Directors and Offices with the Corporation	Number of Warrants of the Corporation Held	Percentage of Total Warrants
Dr. Graham Burton Ontario, Canada	Director, Commercialization Science and Director of the Board	NIL	NIL
Dr. Janusz Daroszewski Ontario, Canada	Director, Product Development & Quality Assurance and Director of the Board	125,000	0.171%
David Hankinson Nova Scotia, Canada	Executive Director and Director of the Board	NIL	NIL
Dr. Chandra Panchal Québec, Canada	Director of the Board	NIL	NIL
Kym Anthony Ontario, Canada	Director of the Board (Chairman of the Board)	1,547,619	2.112%
Amin Khalifa California, USA	Director of the Board (Chairman of the Audit Committee)	NIL	NIL
Cameron Groome Ontario, Canada	Director of the Board, President & CEO	375,000	0.512%
Christopher Boland Ontario, Canada	Chief Financial Officer (not a Director of the Board)	225,000	0.307%
Total		**2,272,619**	**3.102%**

Terms and conditions of transactions with related parties
Outstanding balances at the period end are unsecured, interest free, and settlement occurs in cash or common share purchases. There have been no guarantees provided or received for any related party payables.

All amounts due to and from related parties are non-interest bearing, and are due in the ordinary course of business. All transactions with the Corporation are carried out in the normal course of operations, and are recorded at fair value.

21. Financial risk management objectives and policies

The Corporation's primary risk management objective is to protect the Corporation's balance sheet and cash flow.

The Corporation's principal financial liabilities comprise research and development repayable funding (ACOA) and trade and other payables. The main purpose of these financial liabilities is to raise finances and working capital for the Corporation's operations.

The Corporation is exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk.

The Corporation's senior management oversees the management of these risks. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, foreign currency risk, commodity price risk, and other price risk, such as equity risk.

Interest rate risk

The Corporation's exposure to interest rate risk is nominal considering the research and development repayable funding (ACOA) is subject to NIL% interest. Certain payables are subject to interest on late payment and the amounts are not significant.

The Corporation, from time to time, may invest surplus cash in bank demand deposits which, due to their short term nature, do not expose the Corporation to any significant interest rate risks. The current interest rate on the bank demand deposit account is 1.2%.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue or expense are denominated in a different currency from the Corporation's functional currency. The Corporation's functional and presentation currency is the Canadian dollar.

The Corporation is exposed to foreign exchange fluctuations against the Canadian dollar as some of its sales are denominated in U.S. dollars, while the majority of expenditures are denominated in Canadian dollars. An insignificant amount of expenses are incurred in various Asian currencies. The Corporation did not use derivative financial instruments to manage this risk in the periods ended 30 April 2015, 31 October 2014, and 31 October 2013. For the three month period ended 30 April 2015 the Corporation's foreign exchange losses were $15,154. In the six month period ended 30 April 2014, the Corporation recorded a gain on foreign exchange of $10,436.

Commodity price risk

The Corporation is not subject to price risk from fluctuations in market prices of commodities.

Equity price risk

The Corporation has no exposure to equity price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Corporation provides credit to its customers in the normal course of operations. The Corporation sells its products and services primarily to large corporations, end users, or educational institutions. The carrying amount of cash, trade and other accounts receivable represents the maximum exposure to credit risk and at 30 April 2015 this amounted to $1,402,321 (31 October 2014 - $817,835). The cash is held by RBC on behalf of the Corporation. Since the inception of the Corporation, no losses have been suffered in relation to cash held in the bank. The trade and other receivables consist of $16,600 (31 October 2013 $49,041) in trade receivables and HST input tax credits receivable. No allowance for credit losses has been made against the trade and other receivables. All amounts were collected subsequent to year end.

In monitoring credit risk, the Corporation considers industry, sales volume and aging trends, maturity, and other relevant factors. The Corporation performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. Purchase limits established for certain accounts represent the maximum open balance permitted without approval from management. If required, the Corporation maintains reserves for potential credit losses relating to specific exposures.

In Canadian dollars, for the period ending 30 April 2015

The following table sets forth details of accounts and other receivables:

		30 April 2015		31 October 2014
Not past due	$	16,600	$	49,041
Past due for more than one day but not more than 30 days	$	NIL	$	NIL
Past due for more than 31 days but not more than 60 days	$	NIL	$	NIL
Past due for more than 61 days	$	NIL	$	NIL
	$	**16,600**	**$**	**49,041**
Less: allowance for doubtful accounts	$	0	$	0
	$	**16,600**	**$**	**49,041**

As at 30 April 2015, the Corporation's accounts and other receivable consist of balances due from customers and the Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions. The Corporation manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Corporation continuously reviews both actual and forecasted cash flows to ensure that the Corporation has appropriate capital capacity.

As described within these notes, because of the operating losses in the current and prior years and an accumulated deficit as at 30 April 2015 of $20,328,538 (31 October 2014: $19,334,724), the Corporation's continuance is dependent upon its ability to obtain additional equity or debt financing in the near term and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Corporation will attain profitable levels of operation. In the absence of raising additional funds there is substantial doubt regarding the Corporation's ability to continue as a going concern. The Corporation has working capital to support its activities for the foreseeable future. Accordingly, no adjustments have been made within the financial statements on the basis the Corporation is not a going concern.

The following table summarizes the amount of contractual undiscounted future cash flow requirements for financial instruments as at 30 April 2015:

Contractual obligations		**2015**		**2016**		**2017**		**2018 to 2024**		**Total**
Accounts payable and accrued liabilities	$	129,158	$	0	$	0	$	0	**$**	**129,158**
R&D repayable funding	$	13,884		Note A	$	Note A	$	Note A	**$**	**3,268,284**

Note A: The R & D repayable funding is based on 10% of prior years' revenue of certain products. It is not possible to estimate the future payments except for 2015, in which $13,884 is due (See Note 9).

The Corporation accrues expenses when incurred. Accounts are deemed payable once a past event occurs that requires payment by a specific date. As at 30 April 2015, 26% (31 October 2014: 31%) of the trade payables are 90 days overdue.

Capital management

The Corporation manages its capital, which consists of cash provided from financing and research and development repayable funding, with the primary objective being safeguarding sufficient working capital to sustain operations. The Board of Directors has not established capital benchmarks or other targets.

There have been no changes in the Corporation's approach to capital management during the three month period ended 30 April 2015. No changes were made in the objectives, policies, or processes during the period ending 30 April 2015. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

22. Commitments, contingencies, guarantees, and collateral

Sterilization option

The Corporation has entered into an option agreement to acquire an exclusive license to a technology for the permanent sterilization of female mammals that may eliminate the need for surgical spaying. In consideration of the option, the Corporation has agreed to pay all patent application, maintenance, and prosecution fees as well as the costs of proof-of-concept animal studies.

In Canadian dollars, for the period ending 30 April 2015

The Corporation, at its discretion, will determine what patents, maintenance, fees, and proof-of-concept work will be undertaken in the future. Accordingly, under IAS 32 no liability is recorded until a firm commitment to a work order is made by the Corporation. As of 30 April 2015, all firm commitments related to the option agreement, if any, are recognized on the statement of financial position.

The Corporation's option to license the technology originally expired on 24 June 2015. On 2 February 2015, the option to exercise the agreement was extended to 24 June 2016 under the same terms and conditions. If the option is exercised, the Corporation will receive a worldwide exclusive, irrevocable (subject to rights of termination in certain circumstances) worldwide right and license with the right to grant sublicenses, to the technology in consideration of the issuance of 1,428,571 common shares from the treasury and 5,000,000 warrants to acquire common shares with an exercise price of $0.10 per common share and a term of five years, as well as the payment of a royalty of 1% of net sales in excess of $10 million per year on any products that are commercialized using the technology.

If and when the option is exercised by the Corporation, the then current fair value of the common shares and warrants will be recorded for the acquisition of the option. The Corporation has preliminarily assessed the potential acquisition of the license under the option agreement as an asset purchase (using the criterion under IFRS 3 and IAS 38) and will assess the measurement and/or impairment of the intangible asset if and when the option is exercised.

National Research Council

The Corporation is committed under a technology transfer agreement with the National Research Council of Canada ("NRC") to pay a royalty on revenues under certain circumstances: a royalty of 3% of revenues would be owing on the first product resulting from compounds discovered in oxidized beta-carotene that are commercially-used to induce cell-differentiation, as a cytostatic agent or as an anti-tumour agent and that use certain patents or technology formerly owned by NRC and now owned by the Corporation. To date, the Corporation has assessed that no amount is owed and therefore no amount has been accrued or paid.

Bonuses

Two officers of the Corporation are entitled to bonuses upon the achievement of certain milestones. As of 30 April 2015 it is not probable the bonuses will be paid. The CEO is entitled to $200,000 worth of SARs upon the acquisition of a new technology and $150,000 upon the achievement of certain financial milestones. The Director of Product Development and Quality Assurance is entitled to an increase in salary and a one-time bonus of $165,000 subject to the achievement of certain financial milestones.

Commitment to contractors

The Corporation has entered into the following additional commitments:

1. An agreement with an entity providing investor relations services for $5,000 per month, which is on a month-to-month basis.
2. An agreement with an entity providing customer relationship management in Asia for approximately 7% of sales of OxC-Beta™ Livestock generated by the entity.

		30 April 2015		30 April 2014
Within one year:	$	0	$	72,000
After one year but not more than five years:	$	0	$	0
More than five years:	$	0	$	0
	$	**0**	**$**	**72,000**

Operating lease commitments – Corporation as lessee

The Corporation is committed under agreements for the rental of office space and equipment at a monthly rate of $5,706 (Ottawa, Ontario) and $3,849 (Charlottetown, PEI) plus applicable HST. The Ottawa agreement will be revised on 1 July 2015, at which time it is expected to increase to $6,581. The agreements will expire on 31 March 2016 and are thereafter on a "month-to-month term." They may be terminated by either party with one month's notice. This operating lease, as the lessee, requires rental payments as follows:

		30 April 2015		30 April 2014
Within one year:	$	92,120	$	102,751
After one year:	$	Nil	$	Nil
	$	**92,120**	**$**	**102,751**

The Corporation has a "pay-for-use" arrangement with the NRC for the use of certain equipment within the leased facilities. This amount is not expected to be material.

Legal claim contingency

There are no legal claim contingencies.

In Canadian dollars, for the period ending 30 April 2015

Guarantees and collateral

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers. The Corporation has pledged all of the assets of the Corporation for the ACOA research and development repayable funding. The counterparty has an obligation to release the lien to the Corporation upon payment of the repayable funding.

The Corporation did not hold collateral as at 30 April 2015 and 31 October 2014.

23. Changes in non-cash operating working capital

As reflected in the statement of cash flow, the non-cash operating working capital changes as of 30 April 2015 and 30 April 2014 were as follows:

For the periods ended:	**3 Months ended 30 April 2015**	**3 Months ended 30 April 2014**	**6 Months ended 30 April 2015**	**6 Months ended 30 April 2014**
Change in trade and other receivables	$ 13,408	$ (77,963)	$ 32,441	$ 85,763
Change in prepaid expenses	$ 7,455	$ 33,901	(14,911)	(67,802)
Change in inventories	$ 706	$ 4,304	2,022	59,670
Change in payables and accrued liabilities	$ (33,942)	$ (170,797)	(14,874)	(280,522)
Total change in non-cash operating working capital	**$ (12,373)**	**$ (210,555)**	**$ 4,678**	**$ (202,891)**

24. Events after the reporting period

On 13 May 2015, the Board of Directors authorized the conversion of $21,000 in director's fees to common shares of the Corporation. The transaction is subject to the approval of the TSX.V.

On 13 May 2015, Dr. Chandra Panchal and Dr. Janusz Daroszewski resigned from the Board of Directors of the Corporation. On 13 May 2015, Vanessa Grant and David Allan joined the Board of Directors subject to TSX.V approval. Vanessa Grant holds 166,667 common shares and 83,333 share purchase warrants of the Corporation and David Allan holds 2,465,586 common shares and 333,000 share purchase warrants of the Corporation. On 13 May 2015 the Board of Directors authorized the issue of 600,000 options to purchase common shares to Vanessa Grant and 600,000 options to purchase common shares to David Allan, for a total of 1,200,000 options, subject to the approval of the TSX.V.

Vanessa Grant is a partner of Gowlings LLP, which provides legal service to the Corporation. In the six month period ending 30 April 2015, Gowlings LLP provided services totaling approximately $55,023 and in the prior fiscal year ended 31 October 2015 Gowlings LLP provided services totaling approximately $31,624.

Additional information relating to the Corporation may be found at www.sedar.com

Corporate Information

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Chris Boland
(Chief Financial Officer)

David Hankinson
(Executive Director)

Dr. Graham Burton
(Director, Commercialization Science)

Dr. Janusz Daroszewski
(Director, Product Development & Quality Assurance)

Directors:
Kym Anthony
(Chair of the Board)

Amin Khalifa
(Chair of Audit Committee)

Dr. Chandra Panchal

Cameron Groome

David Hankinson

Dr. Graham Burton

Dr. Janusz Daroszewski

Exchange Listing
TSX Venture Exchange under ticker symbol VIV

OTC Pink Sheet under ticker symbol CHEXF