Consolidated Financial Statements

Quest PharmaTech Inc.

January 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quest PharmaTech Inc.

We have audited the accompanying consolidated financial statements of **Quest PharmaTech Inc.** (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Quest PharmaTech Inc.** as at January 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $1,820,684 during the year ended January 31, 2015 and, as at that date, the Company had a working capital deficiency of $3,525,761. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Edmonton, Canada
May 25, 2015

Ernst & Young LLP

Chartered Accountants

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(see note 1 - going concern uncertainty)

As at January 31

	2015	2014
	$	$
ASSETS		
Current		
Cash	**100,042**	742,447
Accounts receivable	**42,577**	39,194
Prepaid expenses	**123,927**	34,480
	266,546	816,121
Non-current		
Property and equipment *[note 5]*	**43,019**	49,346
Intangible assets *[note 4]*	**22,424**	36,387
	331,989	901,854
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,628,265**	813,487
Demand loans *[note 13]*	**1,768,042**	870,000
Current portion of deferred revenue *[note 19]*	**396,000**	643,300
	3,792,307	2,326,787
Long-term portion of deferred revenue *[note 19]*	**274,000**	987,700
	4,066,307	3,314,487
Commitments and contingencies *[note 8]*		
Shareholders' deficiency		
Common shares *[note 9]*	**26,164,791**	25,813,875
Warrants *[note 9]*	**468,583**	400,000
Contributed surplus	**2,332,465**	2,252,965
Deficit	**(32,700,157)**	(30,879,473)
	(3,734,318)	(2,412,633)
	331,989	901,854

See accompanying notes

On behalf of the Board:

(signed)	(signed)
Ragupathy ("Madi") Madiyalakan	Paul Van Damme
Director	Director

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Years ended January 31

	2015	2014
	$	$
REVENUE		
Gain on settlement of investment financing agreement *[note 19]*	**—**	1,560,000
Investment financing revenue *[note 19]*	**961,000**	369,000
	961,000	1,929,000
EXPENSES		
General and administrative	**969,532**	753,716
Research and development *[note 15]*	**1,687,819**	1,340,055
	2,657,351	2,093,771
Loss before the undernoted	**(1,696,351)**	(164,771)
Other income (expenses)		
Financial income	**197**	189
Financial expenses *[notes 6 and 13]*	**(103,420)**	(97,763)
Foreign exchange loss	**(21,110)**	(9,985)
	(124,333)	(107,559)
Net loss and comprehensive loss for the year	**(1,820,684)**	(272,330)
Basic and diluted loss per share	**(0.017)**	(0.003)

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

	Share capital $	Equity Portion of convertible debenture $	Shares to be issued $	Warrants $	Contributed surplus $	Deficit $	Total Shareholders' Deficiency $
Balance, January 31, 2013	24,623,875	60,000	500,000	200,000	1,916,715	(30,607,143)	(3,306,553)
Shares issued *[note 9]*	1,190,000	—	(500,000)	—	—	—	690,000
Share-based payments *[note 11]*	—	—	—	—	76,250	—	76,250
Balance transfer	—	(60,000)	—	—	60,000	—	—
Warrants expired *[note 9]*	—	—	—	(200,000)	200,000	—	—
Warrants issued *[note 9]*	—	—	—	400,000	—	—	400,000
Net loss for the year	—	—	—	—	—	(272,330)	(272,330)
Balance, January 31, 2014	25,813,875	—	—	400,000	2,252,965	(30,879,473)	(2,412,633)
Shares issued *[note 9]*	350,916	—	—	—	—	—	**350,916**
Share-based payments *[note 11]*	—	—	—	—	79,500	—	**79,500**
Warrants issued *[note 9]*	—	—	—	68,583	—	—	**68,583**
Net loss for the year	—	—	—	—	—	(1,820,684)	**(1,820,684)**
Balance, January 31, 2015	26,164,791	—	—	468,583	2,332,465	(32,700,157)	**(3,734,318)**

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended January 31

	2015	2014
	$	$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net loss for the year	**(1,820,684)**	(272,330)
Items that do not involve cash		
Gain on settlement of investment financing agreement *[note 19]*	**—**	(1,560,000)
Investment financing revenue *[note 19]*	**(961,000)**	(369,000)
Amortization	**37,487**	43,029
Share-based compensation *[note 11]*	**79,500**	76,250
Net change in working capital *[note 14]*	**721,948**	122,586
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(1,942,749)**	(1,959,465)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Increase in demand and other loans *[note 13]*	**948,042**	200,000
Repayment of demand loans *[note 13]*	**(50,000)**	(200,000)
Repayment of convertible debenture *[note 6]*	**—**	(400,000)
Private placement proceeds *[note 9]*	**411,500**	1,000,000
Investment agreement funding *[note 19]*	**—**	2,050,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	**1,309,542**	2,650,000
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	**(9,198)**	(4,725)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(9,198)**	(4,725)
Net increase (decrease) in cash for the year	**(642,405)**	685,810
Cash, beginning of year	**742,447**	56,637
Cash, end of year	**100,042**	742,447

See accompanying notes

Quest PharmaTech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2015

1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY

Corporate information

Quest PharmaTech Inc. (the "Company") is a biotechnology company committed to the development and commercialization of oncology product candidates. It is developing a series of products for the treatment of cancer based on its pipeline of SonoLight compounds and monoclonal antibodies, which target certain tumor antigens that are presented in a variety of cancers. The Company believes that by combining these antibodies with other cancer therapies such as chemotherapy, photodynamic therapy or radioimmuno therapy, it can potentially further complement and enhance treatment outcomes compared to antibody treatment alone. The Company is also developing a marketing strategy to distribute the cosmetic skin care product, Bellus Skin™.

The Company's head office is located at 8123 Roper Road NW, Edmonton, Alberta, Canada T6E 6S4 and it is incorporated under the Business Corporations Act (Alberta). The Company's functional currency is the Canadian dollar.

The Company is publicly traded on the TSX Venture Exchange under the symbol "QPT".

These consolidated financial statements have been authorized for issue in accordance with a resolution of the Company's Board of Directors on May 25, 2015.

Going concern uncertainty

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced significant operating losses and cash outflows from operations since its inception.

The Company has incurred a net loss of $1,820,684 for the year ended January 31, 2015 (2014 - $272,330) and as at January 31, 2015 had a working capital deficiency of $3,525,761 (January 31, 2014 - $1,510,666) and a shareholders' deficiency of $3,734,318 (January 31, 2014 - $2,412,633). Accordingly, there is a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

1. CORPORATE INFORMATION AND GOING CONCERN UNCERTAINTY [CONTINUED]

The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to raise additional capital to successfully complete its research and development programs, commercialize its technologies, conduct clinical trials and receive regulatory approvals for its products. It is not possible at this time to predict the outcome of these matters. The Company's consolidated financial statements do not reflect any adjustments to the classifications and carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The Company intends to address this uncertainty through new share or debt issuances, licensing arrangements and/or strategic partnerships.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 25, 2015, the date the Board of Directors approved the consolidated statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries incorporated in Canada as at January 31, 2015:

- Sonolight Pharmaceuticals Corp. ("Sonolight")
- Steroidogenesis Inhibitors Canada Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date such control ceases. The financial statements of the subsidiaries are prepared using accounting policies consistently applied. All inter-company transactions and balances have been eliminated in full.

Cash

Cash consists of liquid bank balances carried at fair value.

Investment

The Investment is comprised of shares of a private company that have been acquired from a third party. The investment was initially recorded at fair value and is subsequently carried at cost. Following acquisition, the Company evaluates whether control or significant influence is exerted by the Company over the affairs of the investee company. Based on the evaluation, the Company accounts for the investment using either the consolidation, equity accounting or cost method. As at January 31, 2015, the Company has determined that control or significant influence does not exist between the Company and the investee, and therefore, the Company has accounted for its investment using the cost method. The Company evaluates the investment each reporting period for evidence of impairment and adjusts the carrying value accordingly.

Intangible assets

Intangible assets include proprietary rights, intellectual property and patent rights that have been acquired from third parties. Intangible assets are recorded at historical cost less accumulated amortization. Following acquisition, the Company evaluates the prospective commercialization of the acquired intangible assets. Depending on the results of the evaluation, the Company generally commences amortization of the assets over a period of three to five years.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at the end of each

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

reporting period. Changes in the expected useful life of the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Property and equipment

Property and equipment are recorded at historical cost net of government assistance and accumulated amortization. Amortization of property and equipment is calculated over their estimated useful lives on a declining balance or straight-line basis at the following annual rates:

Computer equipment	Declining balance - 30%
Furniture and fixtures	Declining balance - 30%
Office equipment	Declining balance - 30%
Manufacturing and research and development equipment	Declining balance - 30%
Leasehold improvements	Straight-line - lease term

Leases

Leases that transfer substantially all of the risks and benefits of assets to the Company are accounted for as finance leases. Assets under finance leases are recorded at the inception of the lease together with the long-term obligation to reflect the purchase and financing thereof. As at January 31, 2015 and 2014, the Company had no capital leases. Rental payments under operating leases are expensed evenly over the lease term.

Convertible debenture

On issuance of the debenture convertible into common shares of the Company, the fair value of the holders' conversion option is reflected as a component of shareholders' deficiency. The Company's obligation to debenture holders for future interest and principal payments is reflected as a liability and accreted to its maturity value over the term of the debenture using the effective interest rate method. If the holders exercise their conversion option, common shares issued on conversion will be recorded at an amount equal to the aggregate carrying value of the liabilities and the conversion option is extinguished with no gain or loss recognized.

Revenue recognition

Under an investment financing arrangement, the Company receives clinical development funding in return for the Company's common shares and future revenue sharing. Revenues associated with investment financing arrangements that require the Company to perform future performance

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

obligations are recognized over the period that the performance obligation is satisfied. The portion related to future periods is recorded as deferred revenue.

Research and development

Research and development expenses are expensed as incurred. Upfront and milestone payments made to third parties in connection with specified research and development projects are expensed as incurred.

Investment tax credits

Investment tax credits relating to qualifying scientific research and experimental development expenditures that are recoverable in the current year are accounted for as a reduction in research and development expenditures. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at year end. Revenue and expenses are translated at exchange rates in effect on the date of the transaction. Gains and losses arising from foreign currency transactions are included in income for the period.

Government assistance

Non-refundable government assistance towards current expenses is included in the determination of income for the period as a reduction of the expenses to which it relates. Amounts received for future expenditures are recorded as a current liability.

Financial instruments

All financial instruments are classified as either fair value through profit and loss, available-for-sale financial assets, loans and receivables, investments held to maturity or other financial liabilities. Financial assets classified as fair value through profit and loss and available-for-sale are measured on the consolidated statements of financial position at fair value. Subsequent changes in the fair value of held-for-trading financial assets are recognized in net loss immediately. Changes in the fair value of financial assets available-for-sale are recorded in

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

comprehensive income until the investment is derecognized or impaired, at which time amounts would be recorded in net loss. Other comprehensive income and its components, when presented, are included directly in equity as accumulated other comprehensive income. Loans and receivables, investments held to maturity and other financial liabilities are measured on the consolidated statements of financial position at amortized cost.

The Company has designated cash as fair value through profit and loss, its accounts receivable as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities. The investment in Bioceltran is an available-for-sale financial asset. It was initially recorded at fair value and subsequently carried at cost because it is an equity instrument that does not have a quoted price in an active market and whose fair value cannot be reliably measured. The Company has not recorded any financial instruments as held to maturity investments.

For financial liabilities classified as other, transaction costs that are directly attributable to the issue of the financial liability are recorded as part of the fair value initially recognized for the financial instrument. These costs are expensed using the effective interest rate method and recorded in interest expense.

Impairment of long-lived assets

Assets that are subject to amortization are reviewed at the end of each reporting period for indications that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Long-lived assets other than goodwill that have incurred an impairment loss are reviewed for possible reversal of impairment at each reporting date.

Share-based payments

The Company accounts for share-based payment transactions granted to employees and non-employees using the fair value method. Fair value is calculated using the Black-Scholes option pricing model with the assumptions described in note 11 and is recognized for employees over the vesting period of the options granted, and for non-employees as goods are received or services rendered. The amount of share-based compensation recognized in each period is also based on the number of share options ultimately expected to vest to each participant. As a result, the Company is required to estimate forfeiture rates, which are typically based on historical employee turnover data and trends. Changes in estimated forfeiture rates will impact the recognition of share-based

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

compensation expense from period to period. Consideration paid on the exercise of share-based payments is credited to share capital and the amount in contributed surplus related to the share-based payments exercised is reclassified to share capital.

Under the fair value based method, share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measured. The cost of share-based payments to non-employees is recognized over the vesting period. For fully vested share-based payments, the cost is measured and recognized at the grant date.

Income taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred income tax assets and liabilities are measured at the tax rates expected to apply in the period when the assets are realized or the liability is settled based on the tax rates that have been enacted or substantively enacted at the date of the consolidated statements of financial position. The carrying amount of the deferred tax asset is reviewed at each consolidated statement of financial position date and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Basic and diluted loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Under this method, options, warrants and convertible securities are assumed to be exercised at the beginning of the period [or at the time of issuance, if later]. Proceeds from the exercise are assumed to be used to purchase common shares at the average market price during the period. Incremental shares [the difference between the number of shares assumed issued and the number of shares assumed purchased] are included in the denominator of the diluted loss per share computation.

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Use of estimates and significant judgements

The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore, the preparation of these consolidated financial statements requires the Company's management to make estimates and assumptions and apply significant judgements that affect the reported amounts of assets, liabilities and capital reserves. Actual results may vary from those estimated. The recoverable value of property and equipment of $43,019, and intangible assets of $22,424 as well as the period under which deferred revenue is recognized and the use of the going concern assumption, are the more significant items which reflect estimates made and judgements applied in the consolidated statements of financial position. Such estimates and assumptions have been made using careful judgments which, in management's opinion, are within reasonable limits of materiality and conform to the significant accounting policies summarized in these consolidated financial statements.

New accounting standards adopted in the year

A new standard was released by the IASB which was effective beginning in the year ended January 31, 2015. The Company has adopted this new standard in the consolidated financial statements for the year ended January 31, 2015 as follows:

IFRIC Interpretation 21 Levies

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching

a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of this new standard did not impact the Company's consolidated financial statements in either the current year or prior period presented.

Accounting standards and amendments issued but not yet adopted

The listing below includes standards, amendments and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

period beginning on or after January 1, 2015, with retrospective application required and early adoption permitted. The Company is currently assessing the impact of adopting these standards on the consolidated financial statements but does not expect any significant impact.

IFRS 9 - Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. This standard is effective for fiscal years beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard has an effective date of January 1, 2018, is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

IFRS 2 Share-based Payments

Amendments to this standard clarify various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

Amendment to this standard clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss.

IFRS 8 Operating Segments

Amendments to this standard clarify that an entity must disclose the judgements made by management in applying the aggregation criteria including a brief description of operating

3. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and, the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments to this standard clarify that an asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

4. INTANGIBLE ASSETS

	IgE Technology	Immunotherapy Technology	Hypocrellin Based Technology and Licenses	CDK Technology	Totals 2015	Totals 2014
Cost, beginning of year	63,892	237,500	2,476,822	225,000	3,003,214	3,003,214
Additions	—	—	—	8,000	8,000	—
Deletions	—	—	—	—	—	—
Cost, end of year	63,892	237,500	2,476,.822	233,000	3,011,214	3,003,214
Accumulated amortization, beginning of year	27,505	237,500	2,476,822	225,000	2,966,827	2,943,690
Amortization	21,296	—	—	667	21,963	23,137
Accumulated amortization, end of year	48,801	237,500	2,476,822	225,667	2,988,790	2,966,827
Net book value	**15,091**	**—**	**—**	**7,333**	**22,424**	**36,387**

4. INTANGIBLE ASSETS [CONTINUED]

CORE TECHNOLOGIES

Allergo-Oncology technology and licenses ("IgE technology")
During September, 2012, the Company signed a technology purchase agreement with Advanced Immune Therapeutics, Inc. ("AIT") to acquire the proprietary rights and intellectual property related to an allergo-oncology technology based on tumor associated Immunoglobulin E (IgE) antibody for the treatment of cancer. Under the terms of the agreement, consideration for the purchase consisted of payment of $40,000 U.S. for past patent costs and the issuance of 500,000 common shares, valued for accounting purposes at $0.05 per common share, which reflected the closing price of the common shares on the date of issuance of $25,000. The agreement requires the Company to make milestone and royalty payments to AIT on future revenues. The Company is amortizing this asset on a straight-line basis over a three year period.

Immunotherapy technology and licenses ("Immunotherapy technology")
During September, 2009, the Company signed a technology purchase agreement with Paladin Labs Inc. ("Paladin") to acquire the proprietary rights and intellectual property related to an antibody immunotherapy technology. Under this technology, the Company acquired product candidates consisting of five monoclonal antibodies targeting certain tumor antigens that are presented in a variety of cancers. Under the terms of the agreement, consideration for the purchase consisted of a cash payment of $37,500 and the issuance of 1,500,000 common shares upon the effective date of the purchase and an additional 1,500,000 common shares to be issued no later than December 31, 2010. The common shares issued on the effective date and those issued prior to December 31, 2010 were valued for accounting purposes at $0.04 per share which reflected the closing price of the common shares on the effective date of the purchase ($60,000 and $60,000 respectively). Under the terms of the agreement a further 2,000,000 common shares were contingently issuable upon successful future financing initiatives by the Company. On October 22, 2010, the Company decided to take control over the technology and issued the final 3,500,000 common shares under the agreement. The 2,000,000 common shares issued on October 22, 2010 reflecting the contingent consideration were valued for accounting purposes at $0.04 per share, which reflected the closing price of the common shares at that date of $80,000. The agreement also requires the Company to make milestone and royalty payments to Paladin on future revenues. This intangible asset is fully amortized.

Hypocrellin-based technology and licenses (proprietary rights)
The Company's subsidiary, Sonolight, holds the exclusive worldwide license to develop, commercialize and exploit several proprietary inventions involving a class of sonosensitizers and their use in cancer and non-cancer therapies. Sonolight signed a licensing agreement dated March 6, 2001 with the University of Alberta. The license agreement is for a term of 25 years. The

4. INTANGIBLE ASSETS [CONTINUED]

agreement requires royalty payments upon successful sales and marketing of products developed using the technology. The Company has amortized this asset on a straight-line basis over a three-year period that commenced August 1, 2001. This intangible asset is fully amortized.

NON-CORE TECHNOLOGIES (CDK technology (proprietary rights)
The Company owns the worldwide rights to develop, manufacture and sell the CDK technology, a novel immunomodulator with anti-cancer properties. As consideration for its acquisition of the technology, the Company must issue 400,000 common shares as certain milestones outlined in the technology purchase agreement are met. Prior to fiscal 2015, the Company issued 200,000 shares under the agreement. During fiscal 2015, the Company issued the remaining 200,000 common shares to consolidate the ownership of this technology. These shares have been recorded at a value that represents the closing price of the common shares on the date the shares were issued. The Company is amortizing the remainder of this asset on a straight-line basis over a three-year period, commencing on November 1, 2014. The Company has determined that it will not proceed with further development with respect to the CDK technology and the asset may be sold at a future date.

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Totals 2015	Totals 2014
Cost, beginning of year	83,255	12,114	31,494	457,983	5,220	590,066	585,341
Additions	4,198	—	—	—	5,000	9,198	4,725
Deletions	—	—	—	—	—	—	—
Cost, end of year	87,453	12,114	31,494	457,983	10,220	599,264	590,066
Accumulated amortization, beginning of year	78,620	11,880	31,116	417,475	1,629	540,720	520,828
Amortization	1,548	70	114	12,153	1,640	15,525	19,892
Accumulated amortization, end of year	80,168	11,950	31,230	429,628	3,269	556,245	540,720
Net book value	**7,285**	**164**	**264**	**28,355**	**6,951**	**43,019**	**49,346**

Fiscal 2014 additions of $4,725 were comprised of computer equipment – $1,106, research and development equipment - $1,900, and leasehold improvements - $1,719.

6. CONVERTIBLE DEBENTURE

On March 23, 2005, the Company entered into an agreement to issue a $1,000,000 principal amount 8% convertible debenture with a one-year maturity to two arm's-length parties. The debenture was collateralized by the Company's Hypocrellin-based technology, one of its core technologies (note 4). The debenture was repayable in blended monthly installments of $6,667 with the balance, including accrued interest, due on March 22, 2006. The debenture had a conversion feature whereby it could be converted into common shares of the Company at a price of $0.45 per common share and could be redeemed at any time by the Company. The Company obtained extensions to the maturity date and as at January 31, 2013, the maturity date had been extended to June 30, 2013. In connection with the extensions the debenture interest rate was revised from 8% to 9% per annum and the debenture conversion price was amended from $0.45 to $0.25 per common share. During 2008, the Company made principal payments of $500,000 against the convertible debenture. During 2013, the Company made a principal payment of $100,000 against the convertible debenture. During fiscal 2014, the Company made a principal payment of $400,000 against the convertible debenture which is now repaid in full.

During the year, the Company incurred nil (2014 - $18,000) in interest under this convertible debenture.

7. INCOME TAXES

Details of the components of income taxes from operations are as follows:

	2015 $	**2014** $
Loss from operations	**(1,820,684)**	(272,330)
Statutory tax rate	**25%**	25%
Income tax recovery at Canadian statutory tax rate	**(455,171)**	(68,083)
Adjustment in income taxes resulting from:		
Non-deductible expenses	**20,400**	21,142
Impact on future tax assets resulting from statutory rate reduction and expiry of loss carryforwards	**471,481**	12,015
SR&ED adjustments and other	**(63,749)**	1,129
Potential tax assets not recognized	**27,039**	33,797
Deferred tax recovery	—	—

Significant components of the Company's deferred tax balances are as follows:

	2015 $	**2014** $
Deferred tax assets		
Non-capital loss carryforwards	**1,991,730**	2,133,659
Tax cost of property, plant and equipment in excess of book values	**264,130**	256,758
Tax cost of intangible assets in excess of book values	**106,496**	104,996
Scientific research and experimental development tax credits	**907,751**	805,552
Capital loss carryforwards	**836,318**	836,318
	4,106,425	4,137,283
Potential tax assets not recognized (valuation allowance)	**(4,106,425)**	(4,137,283)
	—	—

The Company and its subsidiaries have non-capital losses for income tax purposes of approximately $8,074,818 at January 31, 2015 (January 31, 2014 - $8,534,636) that may be applied against future taxable income. In addition, the Company has scientific research and experimental development expenses of approximately $3,631,005 (2014 – $3,222,207). In total, approximately $8,074,818 (2014 - $8,534,636) of non-capital losses and $5,113,507 (2014 - $4,597,795) of deductible temporary differences for Canadian income tax purposes has not been recognized, as a valuation allowance of $4,106,425 has been setup for accounting purposes. ITC's of $702,400 (2014 - $593,200) can be applied against future taxable income.

7. INCOME TAXES [CONTINUED]

The non-capital losses and investment tax credits ("ITCs") available for carry forward will expire as follows:

	Non-capital losses	**ITC**
	$	$
2026	2,440,630	33,300
2027	1,480,548	91,300
2028	614,914	98,900
2029	97	198,900
2030	122	48,700
2031	809,406	63,700
2032	524,855	41,500
2033	727,483	50,200
2034	98	42,100
2035	1,476,665	33,800
	8,074,818	702,400

8. COMMITMENTS AND CONTINGENCIES

a) Lease obligations

The Company is committed to future minimum lease payments, including estimated operating costs, for its business premises as follows:

	$
2016	60,762
2017	65,191
2018	21,730
2019 and thereafter	—
	147,683

8. COMMITMENTS AND CONTINGENCIES [CONTINUED]

b) Research and development and other activities

Subject to successful completion of contractual milestones, the Company has commitments to fund various research and development and other activities in the normal course of business as follows:

	$
2016	1,051,561
2017	609,392
2018	458,425
2019	158,623
2020 and thereafter	119,944
	2,397,945

In fiscal 2014, the Company entered into a total of four licensing agreements with two prominent Universities located in the United States. The licensing agreements require ongoing license maintenance fees which continue until the contract is terminated. As the duration and success of the contracts are unknown, the Company has included estimated licensing fees for five years in the schedule above and has not included any amounts after the five year period. The total amount included for these licensing agreements in the five year period is approximately $308,000 at varying amounts per year.

In fiscal 2010, the Company entered into an assumption agreement (the "Assumption Agreement") with the Alberta Heritage Foundation for Medical Research (the "Foundation") in connection with the Company's September, 2009 purchase of the Immunotherapy Technology (note 4). This agreement related to prior funding by the Foundation of $500,000 towards the development of the Immunotherapy Technology. Under the Assumption Agreement, upon the generation of revenues related to any developed product, the Company has committed to reimburse the Foundation for its $500,000 funding and to pay a royalty of $500,000 based on product revenues. This technology has not reached the commercialization stage and the outcome is not yet determinable. Subsequent to year end, the Company signed a Termination and Release agreement with Alberta Innovates – Health Solutions, a successor company to the Foundation, which terminates the Assumption Agreement and releases the Company from any and all future commitments and obligations with respect to the Assumption Agreement (note 22).

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of first preferred shares
Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Issued

	Number of common shares	**Amount $**
Common shares		
At January 31, 2013	83,697,580	24,623,875
Shares issued pursuant to a private placement	5,000,000	500,000
Shares issued pursuant to the investment financing	3,000,000	90,000
Shares issued pursuant to a private placement	10,000,000	600,000
At January 31, 2014	101,697,580	25,813,875
Shares issued pursuant to a private placement	6,858,333	342,916
Shares issued pursuant to a technology purchase	200,000	8,000
At January 31, 2015	108,755,913	26,164,791

In October, 2013, the Company issued 5,000,000 common shares to a related party pursuant to a May, 2012 $500,000 private placement. The shares were valued at $0.10 per common share, which represented the closing price of the common shares in May 2012.

In October, 2013, the Company issued 3,000,000 common shares to a related party pursuant to the termination and settlement of an Investment Financing agreement (note 19). The shares were valued at $0.03 per share which represented the closing price of the common shares on the date of issue. The Company recorded this transaction as an increase of $90,000 in share capital in the consolidated statements of financial position (note 19).

9. SHARE CAPITAL [CONTINUED]

In January, 2014, the Company raised $1,000,000 through the issuance of 10,000,000 units at $0.10 per unit, each unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.15 per common share. The warrants expire on January 23, 2016. The shares were valued at $0.06 per common share, which represented the closing price of the common shares on the date of issue. The common share purchase warrants were valued at $0.04 per warrant using the Black-Scholes option valuation model.

In September, 2014, the Company raised $411,500 through the issuance of 6,858,333 units at $0.06 per unit, each unit comprised of one common share and one half common share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.10 per common share. The warrants expire on September 26, 2016. The shares were valued at $0.05 per share which represented the closing price of the common shares on the date of issue. The common share purchase warrants were valued at $0.02 per warrant using the Black-Scholes option valuation model.

In October, 2014, the Company issued the remaining 200,000 common shares under the CDK technology purchase agreement to consolidate the ownership of this technology. These shares have been recorded at $0.04 per share which represents the closing price of the common shares on the date of issue.

The following options to purchase common shares were outstanding as at January 31, 2015:

Exercise price $	**Options outstanding** #	**Weighted average remaining life** (years)	**Options exercisable** #
0.10	**11,590,000**	**7.32**	**11,590,000**
0.15	**200,000**	**0.14**	**200,000**
	11,790,000	**7.46**	**11,790,000**

9. SHARE CAPITAL [CONTINUED]

The following schedule details the warrants and share-based payment transactions granted and expired:

	Shares issuable on exercise of			
	Warrants		Share options	
	Number of shares #	Weighted average exercise price $	Number of shares #	Weighted average exercise price $
Balance, January 31, 2013	10,000,000	0.10	6,915,000	0.10
Granted	10,000,000	0.15	2,525,000	0.10
Expired	(10,000,000)	0.10	(250,000)	0.17
Balance, January 31, 2014	**10,000,000**	**0.15**	**9,190,000**	**0.10**
Granted	3,429,167	0.10	2,650,000	0.10
Expired	—	—	(50,000)	0.15
Balance, January 31, 2015	**13,429,167**	**0.14**	**11,790,000**	**0.10**

Warrants

In October 2011, the Company issued 10,000,000 share purchase warrants exercisable at $0.10 per common share pursuant to a private placement of units. The warrants were valued at $0.02 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 151.7%, risk-free interest rate – 1.20%, expected life – 2 years). The warrants expired on October 25, 2013.

In January 2014, the Company issued 10,000,000 share purchase warrants exercisable at $0.15 per common share pursuant to a private placement of units. The warrants were valued at $0.04 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 153.1%, risk-free interest rate – 0.96%, expected life – 2 years). The warrants expire on January 23, 2016.

In September 2014, the Company issued 3,429,167 share purchase warrants exercisable at $0.10 per common share pursuant to a private placement of units. The warrants were valued at $0.02 per warrant using the Black-Scholes option valuation model with the following assumptions (dividend rate – 0.00%, volatility – 121.8%, risk-free interest rate – 1.13%, expected life – 2 years). The warrants expire 24 months from the date of issue, on September 26, 2016.

9. SHARE CAPITAL [CONTINUED]

Share options

For the year ended January 31, 2015, the Company granted 2,650,000 share options, as per the Company's Share Option Plan. Options vest immediately on date of grant. Out of this total, 550,000 share options, with an exercise price of $0.10 per share, were granted to non-employees and 2,100,000 share options, all with an exercise price of $0.10 per share were granted to employees (note 11).

For the year ended January 31, 2014 the Company granted 2,525,000 share options, as per the Company's Share Option Plan. Options vest immediately on date of grant, except for 200,000 options which vested 2 months after the grant date. Out of this total, 475,000 share options, with exercise prices ranging from $0.10 to $0.15 per share, were granted to non-employees and 2,050,000 share options, all with an exercise price of $0.10 per share were granted to employees (note 11).

On November 6, 2014, the Company obtained shareholder approval to amend its Share Option Plan such that the aggregate number of common shares eligible for issuance under the Share Option Plan shall not exceed 20,000,000. As at January 31, 2015, subject to TSX Venture Exchange approval, 8,210,000 options are available for issue.

10. CAPITAL DISCLOSURES

The Company is a biotechnology company and consistent with other companies in the industry, the Company's objectives when managing capital are to safeguard its accumulated capital in order to maintain its ability to continue as a going concern so that it can continue with its drug development program and strive to maximize shareholder value. Note 1 provides a discussion surrounding the Company's ability to continue as a going concern. Capital is defined by the Company as shareholders' deficiency (primarily comprising of share capital, contributed surplus and deficit) and current term debt consisting of demand loans. The Company manages its capital structure, and makes adjustments to it based on the needs of the Company's operations and the requirement for funding to continue with the Company's drug development program. The Company does this through new share or debt issuances, selling assets or licensing its technologies to third parties to fund operations. The Company is not subject to any externally imposed capital requirements.

11. SHARE-BASED PAYMENTS

For the year ended January 31, 2015, the Company granted a total of 2,650,000 (2014 – 2,525,000) share options under the Company's Share Option Plan. Options vest immediately on date of grant. The fair value of options vesting in 2015 of $79,500 (2014 - $76,250) was recognized as a share-based payment expense and credited to contributed surplus for the years ended January 31, 2015 and 2014. There were no forfeitures of Company's share options during the years ended January 31, 2015 and 2014.

The Company used the Black-Scholes option pricing model to estimate the fair value of these options. The Company considers historical volatility of its common shares in estimating future share price volatility. The following assumptions were used:

	2015	**2014**
Dividend yield	0.00%	0.00%
Volatility	150.2%	145.6-146.5%
Risk-free interest rate	1.93%	2.20-2.63%
Expected life (years)	10	10
Fair value per option	$0.03	$0.03-$0.04

For share options issued to non-employees, the Company has determined that the fair value of the share options issued ($15,000 in 2015, $14,750 in 2014) is a reliable measure of the fair value of the services provided to the Company by non-employees.

12. SEGMENT DISCLOSURES

During fiscal 2015, the Company made a decision to develop a marketing strategy to market and sell the premium quality cosmetic skin care product, Bellus Skin™. As a result, at January 31, 2015, the Company has two operating segments – biopharmaceutical/pharmaceutical products and cosmetic products. Management assesses performance and makes resource decisions based on the consolidated results of operations of these operating segments. Substantially all of the operations of the Company are directly engaged in or support these operating segments.

	Year ended Jan 31, 2015			**Year ended Jan 31, 2014**		
	Pharmaceuticals	**Cosmetics**	**Total**	**Pharmaceuticals**	**Cosmetics**	**Total**
Revenue						
Investment financing revenue	**961,000**	—	**961,000**	369,000	—	369,000
Gain on settlement of investment financing agreement	—	—	—	1,560,000	—	1,560,000
	961,000	—	**961,000**	1,929,000	—	1,929,000
Expenses						
G&A	**752,709**	**216,823**	**969,532**	753,716	—	753,716
R&D	**1,687,819**	—	**1,687,819**	1,340,055	—	1,340,055
Other	**124,333**	—	**124,333**	107,559	—	107,559
	2,564,861	**216,823**	**2,781,684**	2,201,330	—	2,201,330
Net loss	**(1,603,861)**	**(216,823)**	**(1,820,684)**	(272,330)	—	(272,330)

Investment financing revenue represents deferred investment financing revenue recognized into income during the period.

Revenues are attributed to countries based on location of customers or counterparties. Revenues by geographic area are:

Asia (2015 - $961,000: 2014 - $1,929,000)

The Company has included revenue and expense information in its segmented disclosures. Information concerning the Company's assets and liabilities has not been disclosed by segment as these items are managed on a group basis.

13. DEMAND LOANS AND RELATED PARTY TRANSACTIONS

During the year ended January 31, 2011, the Company entered into a demand loan agreement with a company controlled by an officer of the Company to provide up to $1,000,000 bearing interest at 8% compounded annually to be used for the Company's operating expenditures. This financing is unsecured, with interest payable monthly and with principal repayment to be made 30 days after demand. As at January 31, 2015, the Company had drawn $680,000 on this financing. During the year ended January 31, 2012, the Company secured additional demand loan financing of $100,000 from a director of the Company. This demand loan financing bears interest at 8% per annum, interest payable monthly and is unsecured with principal repayment to be made 30 days after demand. During fiscal 2013, 2014 and 2015, the Company secured demand loan financing of $140,000 from an officer of the Company. During fiscal 2015, the Company secured $948,042 of demand loan financings from unrelated third parties to the Company ($50,000 of which was repaid during 2015). During fiscal 2014, the Company drew $200,000 of demand loan financing from an unrelated third party (all of the $200,000 was repaid during 2014). These demand loan financings bear interest at 8% per annum with interest payable monthly and are unsecured with principal repayment to be made 30 days after demand. During the year ended January 31, 2015, the Company incurred $100,243 (2014 – $74,893) in interest under the demand loan financings, of which $70,709 was incurred in connection with related parties (2014 – $69,600), all of which, except for $11,180, was paid during the year.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items related to operating activities

	2015 $	2014 $
Accounts receivable	**(3,383)**	(2,220)
Prepaid expenses	**(89,447)**	(8,898)
Accounts payable and accrued liabilities	**814,778**	133,704
	721,948	122,586

During the year ended January 31, 2015, the Company paid $103,420 of interest (2014 - $97,763) and income taxes of nil (2014 - nil).

15. GOVERNMENT ASSISTANCE

During the year ended January 31, 2015, the Company recognized $25,025 (2014 - $30,310) from Alberta Finance related to scientific research and development claims made for research and development expenditures incurred in fiscal 2015 and 2014. This funding was treated as a reduction of research and development expenses.

During the year ended January 31, 2015, the Company recognized $9,808 from National Research Council's Industrial Research Assistance Program related to the Company's IgE antibody cancer immunotherapy development program for research and development expenditures incurred in fiscal 2015. This funding was treated as a reduction of research and development expenses.

	2015 $	2014 $
Gross research and development expenditures	**1,722,652**	1,370,365
Less: government assistance	**(34,833)**	(30,310)
Research and development expenditures, net	**1,687,819**	1,340,055

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash, accounts receivable, accounts payable and the demand loans.

a) Carrying value and fair value

The carrying values of cash, accounts receivable, accounts payable and the demand loans approximate their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's financial instruments of cash are measured using the Level 1 classification of the fair value hierarchy.

b) Risks

i) Foreign currency risk

The Company has certain assets and liabilities that are denominated in foreign currencies and are exposed to risks from changes in foreign exchange rates and the degree of volatility of these rates. At year end the Company's exposure to foreign currency risk is US$159,450 in accounts payable and 471,200 Euros in accrued liabilities. The year-end rate of conversion of U.S. to Canadian dollars is 1.2717 and Euros to Canadian dollars is 1.4357. Based on the foreign currency exposures noted above, a 10 percent strengthening of the Canadian dollar would have decreased the net loss by $87,900, assuming that all other variables remain unchanged. A 10 percent weakening of the Canadian dollar would have an equal but opposite effect, assuming that all other variables remain unchanged.The Company currently does not use derivative instruments to reduce its exposure to foreign currency risk.

ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on its ability to raise funds to meet its commitments and sustain its operations. The Company controls liquidity risk by managing its working capital and by securing additional funds through equity, debt or partnering transactions (see Capital Disclosures, note 10). In fiscal 2014 and 2015, the Company secured debt financing from its officers and from unrelated third parties to provide demand loan financing for operational expenditures (note 13). During fiscal 2015, the Company secured equity financing of $411,500 through a private placement of common shares and warrants (note 9).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

iii) Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and accounts receivable. To minimize its exposure to credit risk for cash, the Company invests surplus cash in short-term deposits that are fully guaranteed by the Company's financial banker, a major Canadian chartered bank. As the Company is a research and development company, the Company's exposure to credit risk related to accounts receivable is not considered to be significant. At year end, 59% of accounts receivable was due from one provincial government agency.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash is comprised of highly liquid deposits that earn interest at market rates. Interest on the demand loans is at fixed rates. Consequently, the Company is exposed to fair value changes on long-term debt when the market interest rate changes. Accounts receivable and accounts payable bear no interest. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid government guaranteed deposits or guaranteed investment certificates.

17. LOSS PER SHARE

Basic and diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. In determining diluted net loss and net loss per common share, the weighted average number of common shares outstanding is adjusted for share options and warrants eligible for exercise where the average market price of common shares for the year ended January 31, 2015 exceeds the exercise price. Common shares that could potentially dilute basic net loss and net loss per common share in the future that could be issued from the exercise of share options and warrants were not included in the computation of the diluted loss per common share for the year ended January 31, 2015 because to do so would be anti-dilutive.

17. LOSS PER SHARE [CONTINUED]

The numerator and denominator used in the calculation of historical basic and diluted net loss amounts per common share are as follows:

	2015 $	**2014** $
Net loss	**(1,820,684)**	(272,330)
Number of weighted average common shares outstanding	**104,149,658**	86,590,731
Loss per share	**($0.017)**	($0.003)

The following number and type of securities could potentially dilute basic earnings per common share in the future. These securities are not included in the computation of diluted earnings per share, because to do so would have reduced the loss per common share (anti-dilutive) for the years presented:

	2015	**2014**
Share-based payment transactions	**11,790,000**	9,190,000
Warrants	**13,429,167**	10,000,000
	25,219,167	19,190,000

18. COMPENSATION OF KEY MANAGEMENT

Key management includes directors and executives of the Company. The compensation paid or payable (including share-based payments) to key management for services is shown below:

	2015 $	**2014** $
Salaries and short-term employee benefits	**441,000**	421,000
Director share-based compensation	**18,000**	16,500
	459,000	437,500

During the year ended January 31, 2015, 2,100,000 share options (2014 – 2,050,000) were granted to executives and to independent directors.

19. INVESTMENT FINANCING

During fiscal 2014, the Company entered into an investment agreement with a third party to provide up to $12,000,000 of clinical development funding in return for the Company's common shares and future revenue sharing. The Company received $2,000,000 of funding under this agreement, and is obligated to complete the Phase II clinical trial on the Company's immunotherapy program and share 40% of future net revenues from this program. A portion of this investment financing has been recognized as revenue in the consolidated statements of loss and comprehensive loss, based on the portion of the Phase II clinical trial completed in the periods subsequent to receipt of the funding. The remainder has been recorded as deferred revenue on the statements of financial position and will be recognized into income as the clinical trials are completed. Under the terms of the investment financing agreement, the Company was to receive an additional $2,000,000 by December 31, 2013. This funding was not received and the Company has therefore terminated the agreement.

During fiscal 2013, the Company signed an investment agreement with a related party to provide the Company with up to $8,000,000 of funding over a 12-month period to support the Company's clinical trial programs and for operational expenditures. Under the investment agreement, the Company was required to issue up to 15,000,000 common shares and share up to 50% of future net revenues derived from the Company's immunotherapy and prostate cancer programs as funding milestones under the agreement are met. The Company received $1,100,000 of funding during fiscal 2013 and $50,000 of funding during fiscal 2014, which was recognized as deferred revenue. During fiscal 2014, the investment agreement was terminated along with conversion of the $500,000 interest free loan in exchange for 3,000,000 common shares of the Company and 7% of future net revenues with this related party plus 3% of future net revenues to a maximum of $5,000,000 to an unrelated party, derived from the Company's immunotherapy and prostate cancer programs. The shares issued were valued at $90,000 and recorded in share capital with the remainder of funding received of $1,560,000 recorded as a gain on settlement of investment agreement in the consolidated statements of loss and comprehensive loss for the year ended January 31, 2014.

20. INVESTMENT

Pursuant to a Share Transfer Agreement dated August 26, 2014, the Company purchased 288,000 existing shares of Bioceltran Co., Ltd ("Bioceltran") equivalent to more than 20% of the outstanding shares of Bioceltran. Bioceltran is a private South Korea based company focused on transdermal delivery of drugs for cosmetics and pharmaceuticals. The Company purchased the shares of Bioceltran for investment purposes and has determined that it does not exercise control or significant influence over the affairs of Bioceltran based on management's reasoned judgements

20. INVESTMENT [CONTINUED]

regarding the following factors: no board representation, no participation in policy making decisions or in decisions regarding dividends or other distributions and no interchange of managerial personel. In addition, the shares of Bioceltran are not traded on a public exchange. Therefore the Company's investment in shares of Bioceltran has been accounted for using the Cost method with the investment initially recorded at fair value and subsequently recorded at cost. The shares of Bioceltran have a cost to the Company of $107,900 equal to the amount of the Bioceltran up-front license fees. Taken together, these transactions represent non-monetary transactions and for accounting purposes are recognized at nil value because the fair value of the assets exchanged is not reliably measurable. In the future, the fair value of the Company's investment in Bioceltran shares could be recognized if the value of the shares is reliably measurable.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

22. SUBSEQUENT EVENTS

Subsequent to year end, the Company received $395,000 of demand loan financings from unrelated parties. These demand loan financings bear interest at 8% per annum, interest payable monthly and are unsecured with principal repayment to be made 30 days after demand.

Subsequent to year end, the Company signed an agreement granting 50,000 stock options to a consultant of the Company. The stock options are exercisable at a price of $0.10 per common share, vest immediately and carry an expiry date of April 24, 2025.

Subsequent to year end, the Company signed a Termination and Release agreement with Alberta Innovates – Health Solutions, a successor company to the Alberta Heritage Foundation for Medical Research (the "Foundation") which terminates the assumption agreement (the "Assumption Agreement") with the Foundation in connection with the Company's September, 2009 purchase of the Immunotherapy Technology and releases the Company from any and all future commitments and obligations with respect to the Assumption Agreement (note 8).

Subsequent to year end, the Company incorporated a wholly-owned Canadian subsidiary, OncoQuest Inc. ("OncoQuest"). The Company plans to use OncoQuest to facilitate development of the Company's Immunotherapy and IgE Technologies.