Consolidated Financial Statements

Quest PharmaTech Inc.

Three months ended April 30, 2015
(Unaudited)

Quest PharmaTech Inc.

National Instrument 51 – 102
Continuous Disclosure Obligations

Notice

Pursuant to Part 4.3 (3) of National Instrument 51 – 102, these unaudited interim consolidated financial statements of Quest PharmaTech Inc. for the three month period ended April 30, 2015 have not been reviewed by the Company's auditors.

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(see note 1 – going concern uncertainty)

As at

	Apr 30, 2015 (Unaudited) $	Jan 31, 2015 (Audited) $
ASSETS		
Current		
Cash	**37,402**	100,042
Accounts receivable	**36,306**	42,577
Prepaid expenses	**120,410**	123,927
	194,118	266,546
Non current		
Property and equipment *[note 4]*	**39,502**	43,019
Intangibles *[note 3]*	**16,433**	22,424
	250,053	331,989
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,601,188**	1,628,265
Demand loans *[note 9]*	**2,060,171**	1,768,042
Current portion of deferred revenue *[note 14]*	**396,000**	396,000
	4,057,359	3,792,307
Long-term portion of deferred revenue *[note 14]*	**175,000**	274,000
	4,232,359	4,066,307
SHAREHOLDERS' DEFICIENCY		
Common shares *[note 5]*	**26,164,791**	26,164,791
Warrants *[note 5]*	**468,583**	468,583
Contributed surplus	**2,334,965**	2,332,465
Deficit	**(32,950,645)**	(32,700,157)
	(3,982,306)	(3,734,318)
	250,053	331,989

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Three months ended April 30

	2015 $	2014 $
REVENUE		
Investment financing revenue *[note 14]*	**99,000**	160,825
EXPENSES		
General and administrative, net *[note 8]*	**161,164**	192,795
Research and development, net *[note 13]*	**187,407**	334,073
	348,571	526,868
Loss before the undernoted	**(249,571)**	(366,043)
Other income (expenses)		
Financial income	**105**	56
Financial expenses *[note 9]*	**(37,786)**	(17,887)
Foreign exchange gain	**36,764**	520
	(917)	(17,311)
Net and comprehensive loss for the period	**(250,488)**	(383,354)
Basic and diluted loss per share	**($0.002)**	($0.004)

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

	Share capital $	Warrants $	Contributed surplus $	Deficit $	Total shareholders' deficiency $
Balance, February 1, 2014	25,813,875	400,000	2,252,965	(30,879,473)	(2,412,633)
Net loss for the period	—	—	—	(383,354)	(383,354)
Balance, April 30, 2014	25,813,875	400,000	2,252,965	(31,262,827)	(2,795,987)
Balance, February 1, 2015	26,164,791	468,583	2,332,465	(32,700,157)	(3,734,318)
Share based payments *[note 7]*	—	—	2,500	—	2,500
Net loss for the period	—	—	—	(250,488)	(250,488)
Balance, April 30, 2015	26,164,791	468,583	2,334,965	(32,950,645)	(3,982,306)

See accompanying notes

Quest PharmaTech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended April 30

	2015 $	2014 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**(250,488)**	(383,354)
Add (deduct) items not involving cash:		
Amortization	**9,508**	9,031
Stock based payments *[note 7]*	**2,500**	—
Investment financing revenue *[note 14]*	**(99,000)**	(160,825)
Net change in working capital *[note 10]*	**(17,288)**	(154,651)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(354,768)**	(689,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in demand loans *[note 9]*	**295,000**	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	**295,000**	—
Foreign currency gain on demand loans held in foreign currency	**(2,872)**	—
Net decrease in cash and cash equivalents	**(62,640)**	(689,799)
Cash and cash equivalents, beginning of period	**100,042**	742,447
Cash and cash equivalents, end of period	**37,402**	52,648

See accompanying notes

Quest PharmaTech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 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 is incorporated under the Business Corporations Act (Alberta). The Company's functional currency is the Canadian dollar. The principal address of the Company is 8123 Roper Road NW, Edmonton, Alberta, T6E 6S4.

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

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 $250,488 for the three months ended April 30, 2015 and as at April 30, 2015 had a working capital deficiency of $3,863,241 (January 31, 2015 - $3,525,761) and a shareholders' deficiency of $3,982,306 (January 31, 2015 - $3,734,318). 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

The unaudited consolidated financial statements of the Company were prepared following the same accounting policies as disclosed in Note 3 in the audited consolidated financial statements for the years ended January 31, 2015 and 2014. These unaudited consolidated financial statements for the three months ended April 30, 2015 should be read in conjunction with the consolidated financial statements for the years ended January 31, 2015 and 2014 and the notes thereto. These unaudited consolidated financial statements for the three months ended April 30, 2015 do not include all of the required disclosures for annual consolidated financial statements.

Statement of Compliance

These consolidated financial statements have been prepared by management in accordance with IAS 34 "Interim Financial Reporting" using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 22, 2015.

Basis of measurement

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

Quest PharmaTech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2015

3. INTANGIBLE ASSETS

	IgE Technology	Immunotherapy Technology	Hypocrellin Based Technology and Licenses	CDK Technology	Totals 2016	Totals 2015
Cost, February 1, 2015	63,892	237,500	2,476,822	233,000	3,011,214	3,011,214
Additions	—	—	—	—	—	—
Deletions	—	—	—	—	—	—
Cost, April 30, 2015	63,892	237,500	2,476,.822	233,000	3,011,214	3,011,214
Accumulated amortization, February 1, 2015	48,801	237,500	2,476,822	225,667	2,988,790	2,966,827
Amortization	5,324	—	—	667	5,991	21,963
Accumulated amortization, April 30, 2015	54,125	237,500	2,476,822	226,334	2,994,781	2,988,790
Net book value	**9,767**	**—**	**—**	**6,666**	**16,433**	**22,424**

CORE TECHNOLOGIES

AllergoOncology 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 allegrooncology 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 ($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

3. INTANGIBLE ASSETS [CONTINUED]

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 ($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 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.

Quest PharmaTech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2015

4. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture and Fixtures	Office Equipment	Manufacturing and Research and Development Equipment	Leasehold Improvements	Totals 2016	Totals 2015
Cost, February 1, 2015	87,453	12,114	31,494	457,983	10,220	599,264	590,066
Additions	—	—	—	—	—	—	9,198
Deletions	—	—	—	—	—	—	—
Cost, April 30, 2015	87,453	12,114	31,494	457,983	10,220	599,264	599,264
Accumulated amortization, February 1, 2015	80,168	11,950	31,230	429,628	3,269	556,245	540,720
Amortization	548	13	21	2,122	812	3,517	15,525
Accumulated amortization, April 30, 2015	80,716	11,963	31,251	431,750	4,081	559,762	556,245
Net book value	**6,737**	**151**	**243**	**26,233**	**6,139**	**39,502**	**43,019**

There were no additions of property and equipment for the three month period ended April 30, 2015 or 2014.

5. 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, 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
At April 30, 2015	108,755,913	26,164,791

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.

5. SHARE CAPITAL [CONTINUED]

The following options to purchase common shares were outstanding as at April 30, 2015:

Exercise price $	Options outstanding %	Weighted average remaining life (years)	Options exercisable #
0.10	**11,640,000**	**7.09**	**11,640,000**
0.15	**200,000**	**0.14**	**200,000**
	11,840,000	**7.23**	**11,840,000**

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, 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
Granted	—	—	50,000	0.10
Expired	—	—	—	—
Balance, April 30, 2015	**13,429,167**	**0.14**	**11,840,000**	**0.10**

Warrants

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.

5. SHARE CAPITAL [CONTINUED]

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.

Share options

For the three months ended April 30, 2015, the Company granted 50,000 share options under the Company's Share Option Plan (2014 – nil) to non-employees at an exercise price of $0.10, and vesting immediately *[note 7]*.

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 April 30, 2015, subject to TSX Venture Exchange approval, 8,160,000 options are available for issue.

Basic and diluted loss per share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period (2016 – 108,755,913; 2015 – 101,697,580). For the periods presented, the calculation of loss per common share on a diluted basis excluded all potential common shares because the effect was anti-dilutive.

6. 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 comprised of share capital, contributed surplus and deficit) and current term debt consisting of demand loans. The Company manages its capital structures, 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.

7. SHARE-BASED PAYMENTS

For the three month period ended April 30, 2015, the Company granted a total of 50,000 (2014 – nil) 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 $2,500 (2014 - $nil) was recognized as a share-based payment expense and credited to contributed surplus for the three month period ended April 30, 2015. There were no forfeitures of Company's share options during the three month periods ended April 30, 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
Dividend yield	**0.00%**
Volatility	**149.4%**
Risk-free interest rate	**1.59%**
Expected life (years)	**10**
Fair value per option	**$0.05**

For share options issued to non-employees, the Company has determined that the fair value of the share options issued ($2,500 in 2015, $nil in 2014) is a reliable measure of the fair value of the services provided to the Company by non-employees.

8. 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 April 30, 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.

	Three months ended Apr 30, 2015			**Three months ended Apr 30, 2014**		
	Pharmaceuticals	**Cosmetics**	**Total**	**Pharmaceuticals**	**Cosmetics**	**Total**
Revenue						
Investment financing revenue	**99,000**	—	**99,000**	160,825	—	160,825
	99,000	—	**99,000**	160,825	—	160,825
Expenses						
G&A, net	**143,176**	**17,988**	**161,164**	162,795	30,000	192,795
R&D, net *[note 13]*	**187,407**	—	**187,407**	334,073	—	334,073
Other	**917**	—	**917**	17,311	—	17,311
	331,500	**17,988**	**349,488**	514,179	30,000	544,179
Net loss	**(232,500)**	**(17,988)**	**(250,488)**	(353,354)	(30,000)	(383,354)

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 - $99,000: 2014 - $160,825)

Cosmetics related expenses of $17,988 for the 3 month period ended April 30, 2015 are net of a marketing expense reimbursement of $50,000.

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.

9. DEMAND LOANS AND RELATED PARTY TRANSACTIONS

During the year ended January 31, 2011, the Company entered into a demand loan agreement with one of its officers 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 principal repayment to be made 30 days after demand and interest is payable monthly. As at April 30, 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. As at April 30, 2015, the Company had demand loan financing of $140,000 from an officer 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 2015 and 2016, the Company received a net total amount of $1,140,171 of demand loan financings from nonrelated third parties, $295,000 of which was received during the three month period ended April 30, 2015. 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 period end, the Company secured an additional $160,000 of demand loan financings from nonrelated third parties. During the three month period ended April 30, 2015, the Company incurred $36,665 (2014 – $16,971) in interest under the demand loan financing, $17,946 with related parties (2014 – $16,971).

10. SUPPLEMENTAL CASH FLOW INFORMATION

NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS RELATED TO OPERATING ACTIVITIES

Three months ended April 30	**2015**	**2014**
	$	$
Accounts receivable	**6,271**	1,845
Prepaid expenses	**3,518**	(2,668)
Accounts payable and accrued liabilities	**(27,077)**	(153,828)
	(17,288)	(154,651)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, 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. The Company does not use derivative instruments to reduce its exposure to this.

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 6). In fiscal 2015 and 2016, the Company secured debt financing from its officers and from unrelated third parties to provide demand loan financing for operational expenditures. During fiscal 2015 Company secured equity financing under a unit offering of common shares and share purchase warrants.

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 period end, 69% of accounts receivable were 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 balances are comprised of highly liquid deposits or investments that earn interest at market rates.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT [CONTINUED]

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 needed to conduct operations on a daily basis. The Company's policy limits the investing of excess funds to liquid government guaranteed deposits or guaranteed investment certificates.

12. 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 during the three months ended April 30, 2015 and 2014 is shown below:

	2015 $	**2014** $
Salaries and short term employee benefits	**99,000**	99,000
Director compensation	—	—
	99,000	99,000

13. GOVERNMENT ASSISTANCE

During the three month period ended April 30, 2015, the Company recognized $14,642 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 2016. This funding was treated as a reduction of research and development expenses.

Three month period ended

	April 30, 2015 $	**April 30, 2014** $
Gross research and development expenditures	**202,049**	334,073
Less: government assistance	**(14,642)**	—
Research and development expenditures, net	**187,407**	334,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended April 30, 2015

14. 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.

15. SUBSEQUENT EVENTS

Subsequent to period end, the Company received $160,000 in demand loan financings from unrelated third parties. These demand loan financings bears interest at 8% per annum, interest payable monthly and are unsecured with principal payment to be made 30 days after demand.