BioSyent Inc.

Interim Unaudited Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2015 and 2014

BIOSYENT INC.

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT	**June 30, 2015**	**December 31, 2014**
ASSETS		
Trade receivables	$ **1,548,056**	$ 624,648
Other receivables	**20,490**	16,043
Inventory *(Note 7)*	**2,213,698**	1,271,910
Prepaid expenses & deposits	**136,927**	203,532
Derivative assets	**65,551**	142,627
Short term investments *(Note 8)*	**1,500,000**	999,969
Cash and cash equivalents *(Note 9)*	**5,976,906**	6,989,171
CURRENT ASSETS	**11,461,628**	10,247,900
Equipment *(Note 5)*	**214,692**	156,907
Intangible assets *(Note 6)*	**88,651**	66,720
Deferred tax asset	**166,253**	173,380
TOTAL NON CURRENT ASSETS	**469,596**	397,007
TOTAL ASSETS	$ **11,931,224**	$ 10,644,907
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	$ **1,686,892**	$ 1,993,480
Income tax payable	**133,476**	467,960
CURRENT LIABILITIES	**1,820,368**	2,461,440
Deferred tax liabilty	**23,375**	23,375
TOTAL NON CURRENT LIABILITIES	**23,375**	23,375
Share capital *(Note 10)*	**7,156,314**	7,137,844
Contributed surplus	**350,489**	274,982
Cumulative translation adjustment	**33,147**	13,486
Retained earnings	**2,547,531**	733,780
Total Equity	**10,087,481**	8,160,092
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ **11,931,224**	$ 10,644,907

Contingencies (*Note 12*)
Economic dependence (*Note 13*)
Related party transactions (*Note 14*)
Commitments (*Note 16*)

APPROVED ON BEHALF OF THE BOARD

DIRECTOR — August 11, 2015

Peter Lockhard

DIRECTOR

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

BioSyent Inc.

INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in Canadian Dollars)

	Six Months Ended June 30		Three Months Ended June 30	
	2015	**2014**	**2015**	**2014**
Net Revenues	**$ 6,900,098**	$ 5,520,496	**$ 3,593,998**	$ 3,072,395
Cost of Goods Sold *(Note 7)*	**1,447,780**	1,173,278	**739,045**	633,754
Selling, General & Administration *(Note 11)*	**2,979,565**	2,446,058	**1,698,471**	1,230,824
New Business & Development Costs	**15,220**	25,582	**2,165**	7,968
Finance Costs/(Income)	**(36,822)**	(31,949)	**(20,105)**	(20,006)
Total Expenses	**4,405,743**	3,612,969	**2,419,576**	1,852,540
Net Income Before Income Taxes	**2,494,355**	1,907,527	**1,174,422**	1,219,855
Current Income Tax Provision	**673,476**	476,461	**332,648**	312,115
Deferred Tax Provision (Recovery)	**7,128**	30,840	**(9,265)**	18,935
Net Income After Income Taxes	**1,813,751**	1,400,226	**851,039**	888,805
Other Comprehensive Income				
Currency Translation (loss)/gains, net of tax	**19,660**	(5,884)	**(3,001)**	(10,130)
Total Comprehensive Income for the period Attributable to Shareholders	**$ 1,833,411**	$ 1,394,342	**$ 848,038**	$ 878,675
Basic EPS from continuing operations *(Note 10)*	**$ 0.13**	$ 0.10	**$ 0.06**	$ 0.06
Diluted EPS from continuing operations *(Note 10)*	**$ 0.13**	$ 0.10	**$ 0.06**	$ 0.06

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

BIOSYENT INC.
INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the six months ended June 30	2015	2014
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 1,813,751	$ 1,400,226
Items Not Affecting Cash:		
Depreciation - Equipment	25,913	21,801
Amortization - Intangible Assets	6,983	-
Share-based payments	84,629	59,753
Derivative Asset	77,076	-
Current Income Tax Provision	673,476	476,461
Deferred Tax Provision	7,128	30,840
	2,688,956	1,989,081
Cash Paid for Taxes	(1,007,960)	(771,000)
Net change in non-cash working capital items:		
Trade and other receivables	(927,855)	(808,345)
Inventory	(941,788)	(291,326)
Prepaid expenses & deposits	66,605	2,853
Accounts payable and accrued liabilities	(306,588)	356,688
Cash provided by (used in) operating activities	**(428,630)**	**477,951**
INVESTING ACTIVITIES		
Purchase of equipment	(83,698)	(48,265)
Purchase of intangible assets	(28,914)	(3,393)
Short term investments	(500,031)	-
Cash used in investing activities	**(612,643)**	**(51,658)**
FINANCING ACTIVITIES		
Proceeds from stock options exercised	9,348	29,250
Cash provided by financing activities	**9,348**	**29,250**
Effect of Foreign Currency Translation Adjustment	**19,660**	**(5,884)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,012,265)**	**449,659**
Cash and cash equivalents, beginning of period	6,989,171	4,381,137
CASH AND CASH EQUIVALENTS - END OF PERIOD	**$ 5,976,906**	**$ 4,830,796**
NET CHANGE IN CASH AND SHORT TERM INVESTMENTS		
Increase in short term investments	$ 500,031	$ -
(Decrease) increase in cash and cash equivalents	(1,012,265)	449,659
Net change in cash and short term investments during period	$ (512,234)	$ 449,659

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

BioSyent Inc.

Interim Unaudited Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2014	$ 7,137,844	$ 274,982	$ 13,486	$ 733,780	$ 8,160,092
Comprehensive Income for the year	-	-	19,660	1,813,751	1,833,411
Effect of Share-based payments: Options granted / vested	-	84,629	-	-	84,629
Effect of Share-based payments: Options exercised	18,470	(9,122)	-	-	9,348
Balance as of June 30, 2015	$ 7,156,314	$ 350,489	$ 33,147	$ 2,547,531	$ 10,087,481

	Share Capital	Contributed Surplus	Cumulative Currency Translation Adjustment	Retained Earnings	Total
Balance December 31, 2013	$ 7,079,721	$ 190,651	$ 4,557	$ (2,420,299)	$ 4,854,630
Comprehensive Income for the year	-	-	(5,884)	1,400,226	1,394,342
Effect of Share-based payments: Options granted / vested	-	59,753	-	-	59,753
Effect of Share-based payments: Options exercised	50,623	(21,373)	-	-	29,251
Balance as of June 30, 2014	$ 7,130,344	$ 229,031	$ (1,327)	$ (1,020,072)	$ 6,337,976

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements

Contributed Surplus represents the estimated fair value of options not yet exercised and the estimated fair value of unexercised expired options. The Cumulative Currency Translation Adjustment represents changes in foreign currency conversion rates while consolidating the Company's foreign subsidiary.

1. General Information

BioSyent Inc. ("**BioSyent**" or the "**Company**"), is a publicly traded life science company that acquires or licenses products, and commercializes these technologies to advance human health and public safety. The Company's principal business activities include the marketing of pharmaceutical products in Canada and the manufacturing and marketing of non-chemical bio and health friendly insecticides worldwide.

The accompanying interim unaudited condensed consolidated financial statements of BioSyent ("**consolidated financial statements**") include the accounts of BioSyent and its three wholly owned subsidiaries: BioSyent Pharma Inc. ("**BioSyent Pharma**"), Hedley Technologies Ltd. (formerly HTI Agritech Inc.) ("**Hedley Technologies**") and Hedley Technologies (USA) Inc. (formerly HTI Agritech (USA) Inc.) ("**Hedley USA**"). The Company changed its name from "Hedley Technologies Inc." to "BioSyent Inc." on June 13, 2006 to reflect the Company's forward focus on the pharmaceutical market. BioSyent Pharma was incorporated on April 6, 2006 under the *Canadian Business Corporations Act* and commenced operations in 2006. Hedley Technologies was incorporated on January 30, 1996 in the province of British Columbia, Canada. Hedley USA was incorporated on May 13, 1994 in the state of Washington, USA. The Company and its subsidiaries are located at Suite 520, 170 Attwell Drive, Toronto, Ontario, Canada M9W 5Z5.

These interim unaudited condensed consolidated financial statements were approved by the Board of Directors on August 11, 2015.

2. Basis of Presentation

The principal accounting policies adopted in the preparation of the consolidated financial statements on a historical cost basis, with the exception of those financial assets and liabilities at fair value through profit or loss (FVTPL), are set out below. The policies have been consistently applied to all the periods presented.

Statement of Compliance

These interim unaudited condensed consolidated financial statements are in compliance with International Financial Reporting Standards ("**IFRS**") and have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("**IAS34**") as issued by the International Accounting Standards Board ("**IASB**"). Since the interim unaudited condensed consolidated financial statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation.

Basis of Consolidation

All inter-company transactions have been eliminated in these consolidated financial statements.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each of the Company's wholly-owned subsidiaries determines its own functional currency. One of the subsidiaries, Hedley USA, has its functional currency as United States dollars. All financial information has been rounded to the nearest dollar, except when otherwise indicated.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Use of Estimates and Accounting Judgments by Management

The preparation of the Company's consolidated financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Judgments:

a) Recoverability of asset carrying values

The Company assesses its equipment and intangible assets for impairment if there are events or changes in circumstances that indicate that carrying values may not be recoverable at each statement of financial position date. Such indicators include changes in the Company's business plans, changes in market and evidence of physical damage.

Determination as to whether and how much an asset is impaired involves management's judgment on highly uncertain matters such as future selling and purchasing prices, the effects of inflation on operating expenses, discount rates and economics of different pharmaceutical or medical products.

b) Impairment of trade and other receivables

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current ageing status, financial condition of the customer, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful debts is established based on specific situations and overall industry conditions.

c) Income taxes

The Company is subject to income tax assessment in a few jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken in the ordinary course of business for which the ultimate tax determination is uncertain.

The Company recognizes liabilities based on the Company's current understanding of tax laws as applied to the Company's circumstances. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The most significant estimates made by management include the following:

a) Depreciation

Depreciation of the Company's equipment involves estimates of future useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company's equipment.

b) Share-based payments

Issuances and grants of share options are valued using the fair value method. Management uses the Black-Scholes option pricing model to estimate the fair value of share options determined at grant date for options granted to employees. Significant assumptions affecting the valuation of options include the term allowed for option exercise, a volatility factor relating to the Company's historical share price, dividend yield, forfeiture rate and risk-free interest rate.

c) Inventory

Management has estimated the value of inventory based upon its assessment of the net realizable value less selling costs. All slow moving merchandise has been allowed for by management.

4. Summary of Significant Accounting Policies

The interim unaudited condensed consolidated financial statements have been prepared based on the Company's accounting policies set out in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2014.

Recent Accounting Pronouncements

Certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not yet been adopted by the Company. Management anticipates that all of the relevant pronouncements will be adopted by the Company for the first period following the effective date of the pronouncement. Information on new standards and amendments that are expected to be relevant, but are not expected to have a material effect on the Company's financial statements, is provided below.

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39, Financial Instruments Recognition and Measurement, in its entirety. The replacement standard, IFRS 9, is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued, some of which were simply carried forward from IAS 39 unchanged. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The restatement of comparative period financial statements will not be required for the initial classifications and measurement requirements, but will require modified disclosures upon transition.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued IFRS 15 *Revenue from Contracts with Customers.* The standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets From Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

(Expressed in Canadian Dollars)

5. Equipment

	Furniture and fixtures	Equipment	Computer Equipment	Computer Software	Total
COST:					
December 31, 2013	55,480	23,002	48,877	95,953	223,311
2014 Additions			9,471	51,992	61,463
December 31, 2014	55,480	23,002	58,348	147,945	284,774
2015 Additions	48,668	12,212	11,680	11,138	83,698
June 30, 2015	**104,148**	**35,214**	**70,028**	**159,083**	**368,472**
ACCUMMULATED DEPRECIATION:					
December 31, 2013	(12,702)	(6,315)	(24,808)	(38,462)	(82,286)
Changes in 2014	(8,555)	(3,337)	(8,642)	(25,046)	(45,581)
December 31, 2014	(21,257)	(9,652)	(33,449)	(63,508)	(127,867)
Changes in 2015	(5,856)	(1,945)	(4,611)	(13,501)	(25,913)
June 30, 2015	**(27,113)**	**(11,597)**	**(38,060)**	**(77,009)**	**(153,780)**
CARRYING AMOUNT					
December 31, 2013	42,778	16,687	24,069	57,491	141,025
December 31, 2014	34,222	13,350	24,898	84,437	156,907
June 30, 2015	**77,035**	**23,615**	**31,968**	**82,074**	**214,692**

6. Intangible Assets

Intangible assets consist of costs to file patents, trademarks and applications for new product licenses issued by Health Canada with different residual lives.

The Company has incurred filing costs of $95,634 (2014 – $66,720) on three new products, one of which, the Aguettant System® Atropine pre-filled syringe, has been approved and launched as at June 30, 2015. The carrying value of these filing costs at June 30, 2015 is $88,651 (2014 - $66,720) net of accumulated amortization of $6,983 (2014 - $nil).

The Company holds a 50% patent ownership and a 100% licensing right to distribute a bio and health-friendly insecticide, PROTECT-IT®. The Company pays a royalty equal to 2% of sales annually. These assets have been fully amortized.

7. Inventory

Inventory is comprised of the following:

As at	**June 30, 2015**	December 31, 2014
Raw and Packaging Materials	**$ 904,930**	$ 294,540
Finished Goods	**1,308,768**	977,370
Total	**$2,213,698**	$ 1,271,910

(Expressed in Canadian Dollars)

Cost of Goods Sold consists of the following:

Six Months Ended	**June 30, 2015**	June 30, 2014
Raw and Packaging Materials and Finished Goods	**$ 1,390,530**	$1,141,492
Freight	**50,554**	26,100
Royalties	**6,696**	5,686
Total	**$ 1,447,780**	$1,173,278

8. Financial Instruments and Financial Risk Management

Fair Value Estimation of Financial Instruments

The Company's carrying value of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

The Company is required to present information about its financial assets and liabilities with respect to the hierarchy of the valuation techniques the Company utilized to determine fair value. The different levels have been defined as follows:

Level 1 - inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.
Level 3 - inputs are unobservable data points for the asset or liability, and includes situation where there is little, if any, market activity for the asset or liability.

The following table illustrates the Company's investment in Dual Currency Deposits ("**DCDs**") that are measured at fair value through profit and loss ("**FVTPL**"):

June 30, 2015	Level 1	Level 2	Level 3
DCDs	-	1,500,000	-

Dec 31, 2014	Level 1	Level 2	Level 3
DCDs	-	999,969	-

Risks

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including foreign exchange risk, interest rate risk, and credit risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out under the policies described below. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated with the approved policies.

Forward Contracts:

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in U.S. dollars with financial institutions with investment grade credit ratings. Such contracts are classified as derivative financial instruments and measured at fair value through profit and loss. As at June 30, 2015, the Company entered into forward contracts with a total notional amount of USD 2,450,000 / CAD 3,060,050 (December 31, 2014 – USD 2,050,000 / CAD 2,378,205).

The contracts give the Company the right to sell CAD and buy USD at an exchange rate expressed in CAD per USD that varies from 1.0570 to 1.1935 which will be settled on various dates from the date hereof to December 2016. The settlement rates depend on whether the actual exchange rate remains within a specified range. If the actual exchange rate goes beyond the specified range, the settlement exchange rate would be in the range of 1.0860 to 1.2400 CAD per USD. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The Company's forward contracts resulted in foreign exchange losses of $15,640 for the six months ended June 30, 2015 (foreign exchange gains of $134 for the six months ended June 30, 2014).

Dual Currency Deposits:

The Company has also invested in dual currency deposits ("**DCD**"). A DCD is a CAD-denominated transaction that provides an enhanced guaranteed interest payment at maturity. However, the currency delivered at maturity depends upon a specified conversion rate (the "Fixed Rate") on the valuation date. The Company will receive the final payment amount at maturity in CAD if the spot rate (defined as CAD per USD) on the valuation date is above the Fixed Rate. If the spot rate on the valuation date is equal to or less than the Fixed Rate, the Company will receive final payment amount in USD at the Fixed Rate.

The table below describes the Company's holdings in DCDs at June 30, 2015 and December 31, 2014:

Type of Financial Instrument	Spot Rate on Transaction Date	Principal (CAD)	Guaranteed Interest Rate	Maturity Date	Fixed Maturity Conversion Rate
June 30, 2015					
DCD	1.2275	400,000	2.00%	September 11, 2015	1.1877
DCD	1.2275	1,100,000	2.00%	September 15, 2015	1.1895
December 31, 2014					
DCD	1.1220	1,000,000	3.98%	January 20, 2015	1.1125

The fair value of the Company's forward contracts and dual currency deposits fall within Level 2 of the fair value hierarchy.

Market Risk

Foreign Exchange Risk:

The Company currently earns revenue in Canadian and U.S. dollars and incurs costs in Canadian dollars, U.S. dollars and Euros. Management monitors the foreign currency net liability position on a periodic basis throughout the course of the year and adjusts the total net monetary liability balance accordingly. When it is appropriate to de-risk future foreign exchange transactions, the Company will reduce its exposure by booking foreign exchange forward cover transactions.

The following table presents a foreign exchange sensitivity analysis for the asset and liabilities of the Company denominated in foreign currencies.

Foreign Exchange Sensitivity Analysis

	June 30, 2015	December 31, 2014
Description of Asset/(Liability)	**USD**	USD
Cash and Cash Equivalents	**784,223**	296,948
Trade Receivables	**-**	3,119
Less		
Accounts Payable	**518,779**	628,578
Net Total	**265,444**	(328,511)
Foreign Exchange Rate CAD per USD at the end of the period	**1.2490**	1.1601

At June 30, 2015, if the U.S. dollar had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been $2,437 higher or lower on an after tax basis (December 31, 2014 - $2,806 lower or higher).

Foreign Exchange Sensitivity Analysis

	June 30, 2015	December 31, 2014
Description of Asset/(Liability)	**Eur**	Eur
Cash and Cash Equivalents	**962,958**	1,233,541
Trade Receivables	**-**	-
Less		
Accounts Payable and accrued liabilities	**132,427**	182,724
Net Total	**830,531**	1,050,817
Foreign Exchange Rate CAD per EUR at the end of the period	**1.3911**	1.4038

(Expressed in Canadian Dollars)

At June 30, 2015, if the Euro had been stronger or weaker by 1% against the Canadian dollar with all other variables held constant, comprehensive income would have been $8,492 higher or lower on an after tax basis (December 31, 2014 - $10,842 higher or lower).

This foreign currency risk sensitivity analysis is unrepresentative of the risk inherent in receivables and payables in foreign exchange because the year-end exposure does not reflect the exposure during the year.

Interest Rate Risk:

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Some of the Company's cash and cash equivalents as at the date of the Company's Statement of Financial Position are invested in redeemable guaranteed investment certificates (each, a "**GIC**"), which earn interest at fixed rates during their tenure. 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. Fluctuations in market rates of interest when these GICs are renewed may have an impact on the Company's profit for the period.

Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, short term investments, trade and other receivables. The carrying amount of financial assets represents maximum credit exposure. As the Company invests some of its cash in redeemable GICs its credit risk on this account is negligible.

The Company's current customers are large corporations. These customers have been dealing with the Company for several years and have never defaulted in settling their liabilities to the Company.

Trade Receivables

Description	**June 30, 2015**	December 31, 2014
Current	**$ 1,427,082**	$ 588,755
Past due 1-30 days	**111,579**	30,243
Past due 31-60 days	**6,346**	-
Over 60 days	**3,049**	-
Less allowance for doubtful accounts	**-**	-
Closing Balance	**$ 1,548,056**	$ 624,648
Maximum Credit Risk	**120,974**	35,893

One customer represents 36% of trade receivables (December 31, 2014: 37%) while another customer represents 23% of trade receivables (December 31, 2014: 28%). There have been no past defaults by either of these customers. Cash and cash equivalents and short term investments are maintained with Canadian financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

(Expressed in Canadian Dollars)

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures. All contractual maturities of accounts payable and accrued liabilities are due within one year. The Company has no other liabilities.

The Company generates sufficient cash from operating activities to fund its operations and fulfill its obligations as they become due. The Company is free from debt, though it has a credit facility with Royal Bank of Canada for $1,550,000 which it has not drawn down as at the date hereof.

9. Cash and Cash Equivalents and Short Term Investments

Cash and Cash Equivalents and Short Term Investments comprise of the following:

As at	June 30, 2015	December 31, 2014
Description	Value in CAD	Value in CAD
Cash	$ 4,341,906	$ 4,684,171
Redeemable GIC's	1,635,000	2,305,000
Cash and Cash Equivalents	5,976,906	6,989,171
Short Term Investments	1,500,000	999,969
Total Cash and Short Term Investments	**$ 7,476,906**	**$ 7,989,140**

10. Share Capital

a) Authorized

The authorized share capital of the Company consists of 100,000,000 common shares without par value and 25,000,000 preferred shares without par value. The holders of the preferred shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company.

b) Issued and outstanding common shares

	Shares		Amount
Balance December 31, 2013	13,626,195	$	7,079,721
Options exercised	225,000		58,123
Balance December 31, 2014	13,851,195	$	7,137,844
Options exercised	85,000		18,470
Balance June 30, 2015	13,936,195	$	7,156,314

During the six months ended June 30, 2015, 85,000 shares were issued against options exercised (2014 - 175,000). Upon exercise of these stock options, $9,122 (2014 - $21,373) in fair value has been transferred from Contributed Surplus to Share Capital.

(Expressed in Canadian Dollars)

There are no preferred shares outstanding as of June 30, 2015.

c) Share-Based Payments

On March 11, 2014 the Board approved a new "10% rolling" incentive stock option plan (the "**SOP**") to replace and supersede its existing fixed number incentive stock option plan (the "**Previous Plan**"). On June 13, 2014, the SOP was adopted by the shareholders of the Company at the Annual General Meeting and re-approved on June 12, 2015.

The purpose of the SOP is to assist the Company in attracting, retaining and motivating directors, officers, employees and other persons who provide ongoing services to the Company and its affiliates and to closely align the personal interests of such participants with those of the Company's shareholders, by providing them with the opportunity to acquire common shares of the Company, and thereby a proprietary interest in the Company and its subsidiaries, through the exercise of share purchase options.

On February 3, 2015, 23,876 options were granted by the Company to various employees under the new SOP. The fair value of these options granted at an exercise price of $10.80 per option, has been determined using the Black-Scholes option pricing model using the following assumptions:

Share price at the date of grant	$10.97
Risk-free interest rate	2.94%
Dividend yield	0%
Volatility factor of expected market price of Company's shares	160.58%
Average expected option life (years)	10.00
Weighted-average grant date fair value of options granted	$10.80

The Company uses a 1% forfeiture rate (2014 – 0%) for the purpose of estimating the fair value of options.

During the six months ended June 30, 2015, the Company recorded share-based payment expense of $84,629 (June 30, 2014 $59,753) relating to option grants to employees, officers and directors, which are included in salaries and wages in the consolidated statements of comprehensive income.

(Expressed in Canadian Dollars)

As at June 30, 2015, there were 626,548 (December 31, 2014 – 689,486) options outstanding, as shown below:

	June 30, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	689,486	$0.54	875,000	$0.21
Granted	23,876	10.80	39,486	5.74
Expired or forfeited	(1,814)	8.55	-	-
Exercised	(85,000)	$0.11	(225,000)	$0.15
Outstanding end of period	626,548	$0.97	689,486	$0.54

Of the total number of options outstanding as of June 30, 2015, 576,488, options have vested and are exercisable by the option holders (June 30, 2014 – 661,029). These exercisable options have a weighted average exercisable price of $0.37 (June 30, 2014 - $0.22). The weighted-average remaining contractual life of the 626,548 (June 30, 2014 – 739,486) total options outstanding is 1.54 years (June 30, 2014 - 2.02 years) and the range of exercise prices for these options is $0.11 - $10.80 (June 30, 2014 - $0.10 - $7.45). The weighted average share price on the date of exercise for the options exercised for the six month period is $7.65 (June 30, 2014 - $3.60).

d) Earnings per share

The following table reconciles the numerator and denominator for the calculation of basic and diluted earnings per share:

	Six Months Ended		Three months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Numerator				
Net income attributable to common shareholders	**$ 1,813,751**	$ 1,400,226	**$ 851,039**	$ 888,805
Denominator				
Basic				
Weighted average number of shares outstanding	**13,864,483**	13,755,501	**13,900,084**	13,789,657
Effect of Dilutive Securities adjusted for exercised options	**585,749**	673,800	**566,424**	692,403
Diluted				
Weighted average number of shares outstanding	**14,450,232**	14,429,301	**14,466,508**	14,482,060
Basic earnings per share	**$ 0.13**	$ 0.10	**$ 0.06**	$ 0.06
Diluted earnings per share	**$ 0.13**	$ 0.10	**$ 0.06**	$ 0.06

(Expressed in Canadian Dollars)

11. Expense by Nature

The expenses on the consolidated financial statements have been grouped by function to focus reader attention on the macro movements in cost from period to period while at the same time giving the reader an option to get into the detail of costs which are included below. The major functions include Cost of Goods Sold, Selling and Marketing, General and Administration, New Business and Development and Finance Costs / (Income). The nature of expenses covered by each function is broadly outlined below with the caveat that the descriptions provided are indicative and should not to be construed as being comprehensive:

- Cost of Goods Sold: Includes expenses related to purchase of products, change in inventory, variable freight and royalty cost on sales
- Selling and Marketing: Includes all expenses related to selling, marketing, sales personnel compensation and distribution expenses
- General and Administration: Includes expenses associated with running the day to day operations of the business
- New Business and Development: Includes expenses related but not limited to acquiring new drugs, scientific consulting and regulatory fees.
- Finance Costs / (Income): Includes interest charges and income.

		Six Months Ended		Three Months Ended	
		June 2015	**June 2014**	**June 2015**	**June 2014**
Cost of Goods Sold	$	**1,447,780**	1,173,278	**739,045**	633,754
Selling and Marketing	$	**1,805,115**	1,336,534	**1,113,417**	749,300
Advertising, promotion and selling costs		1,715,108	1,258,554	1,058,551	691,802
Logistics, Quality Control & Regulatory		90,007	77,980	54,866	57,498
General and Administration	$	**1,174,450**	1,109,524	**585,054**	481,524
Professional Fees		64,471	71,008	26,485	36,219
Corporate Expenses		271,826	158,405	130,475	74,371
Employee Costs		787,955	797,206	362,895	333,905
Others		34,558	83,039	34,558	33,929
Foreign Exchange		15,640	(134)	30,641	3,100
New Business & Development Costs	$	**15,220**	25,582	**2,165**	7,968
Finance Costs / (Income)	$	**(36,822)**	(31,949)	**(20,105)**	(20,006)

12. Contingencies

From time to time the Company may be exposed to claims and legal actions in the normal course of business. As at June 30, 2015, there were no pending litigations or threatened claims outstanding.

13. Economic Dependence

Some raw materials used in production are sourced from a single supplier both in the case of FeraMAX® and Protect-It® and the Company is exposed to the same business risks that such suppliers may experience. The Company has taken steps to reduce risk from this economic dependence.

(Expressed in Canadian Dollars)

In line with other pharmaceutical companies, the Company sells its products through a small number of large wholesalers. These large wholesalers are in turn economically dependent on a very large number of pharmacies and hospitals who form their customer base and with whom the Company is actively engaged in maintaining relationships. There are three customers each of whom account for more than 10% of the total sales. These three customers account for 38% (2014 – 45%), 22% (2014 – 22%), and 22% (2014 – 20%) of total sales, respectively, for the six months ended June 30, 2015.

14. Related Party Transactions

Key Management Personnel Compensation

Apart from their salaries, cash bonus and stock option grants, the Company does not provide benefits to named executive officers (each, a "**NEO**") and directors in the form of contributions to non-statutory post-employment benefit plans on their behalf. The Company has not contractually provided any termination entitlements to NEOs and directors of the Company.

During the three and six months ended June 30, 2015 and June 30, 2014, the following compensation was paid to the NEOs of the Company. In the table below, one additional NEO has been added in 2015 as compared to the previous year.

Compensation of NEOs				
	Six Months Ended		Three Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Number of NEOs	4	3	4	3
Salary and Bonus	$337,651	$258,356	$170,271	$130,185
Share-Based Payments	$35,764	$67,029	$19,790	$13,527

Transactions with Other Key Management Personnel and Directors

During the six months ended June 30, 2015, the Company paid total fees to its directors in the amount of $18,600 (six months ended June 30, 2014 - $16,250) and share-based payments of $21,771 (six months ended June 30, 2014 - $22,788). Additionally, the Company paid remuneration of $9,000 to one of its directors for professional services rendered for the six months ended June 30, 2015 (six months ended June 30, 2014 - $7,500).

The above related party transactions have occurred in the normal course of operations.

15. Capital Disclosures

For capital management purposes, the Company defines capital as its shareholders' equity that includes share capital, contributed surplus, cumulative translation adjustment and retained earnings. The amounts included in the Company's capital for the relevant period are as follows:

June 30, 2015	$10,087,481
December 31, 2014	$ 8,160,092

(Expressed in Canadian Dollars)

The Company's principal objectives in managing capital are:

- to ensure that it will continue to operate as a going concern;
- to be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to its shareholders;
- to maintain a strong capital base so as to maintain clients, investors, creditors and market confidence; and
- to provide an adequate rate of return to its shareholders.

The Company manages its capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt, or issue new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the size of the Company.

The Company does not have any externally imposed capital compliance requirements. There were no changes in the Company's approach to capital management during the year.

16. Commitments

The Company's office lease, which was set to expire in September 2015, has been renewed for three years, commencing on February 1, 2015 and expiring on January 31, 2018.

The Company's minimum future rental payments are approximately as follows:

Fiscal 2015	$ 90,717
Fiscal 2016	$ 181,434
Fiscal 2017	$ 181,434
Fiscal 2018	$ 15,119

17. Line of Credit

The Company is free from debt, though it has a credit facility with Royal Bank of Canada for $1,550,000. This facility has not been utilized as of June 30, 2015. This credit facility has been secured against company's receivables and bears an interest rate of prime plus 3%.

18. Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax at rates of 26.5% (2014 – 26.5%) in the Canadian jurisdictions and 35% (2014 – 35%) in the U.S. jurisdictions.

(Expressed in Canadian Dollars)

In interim periods, the income tax provision is based on actual earnings by jurisdiction. The Company's consolidated effective tax rate for the period ending June 30, 2015 was 27.3% (2014 – 26.6%).

19. Segment Reporting

A segment is a component of the Company that:

i) engages in business activities from which it may earn revenue and incur expenses;
ii) whose operating results are reviewed by the board of directors; and
iii) for which discrete financial information available.

Though the Company has a legacy business in bio and health friendly insecticides, management of the Company is primarily focused on growing the pharmaceutical business and does not account for administrative overhead separately for the insecticide business. Consequently, the Company recognizes one business segment for all its operations.

Revenue breakdown by business is provided below:
a) for both the pharmaceutical and insecticide business; and
b) for both Canadian and International jurisdictions

Revenue by Business

	Three Months ended June 30, 2014	Six Months ended June 30, 2014	**Three Months ended June 30, 2015**	**Six Months ended June 30, 2015**
Canada				
Pharma Business	2,893,162	5,090,651	**3,219,490**	**6,333,882**
Insecticide Business	179,833	234,596	**258,647**	**278,161**
Total Canada	3,072,995	5,325,247	**3,478,137**	**6,612,043**
International Jurisdictions				
Pharma Business	0	145,519	**116,534**	**231,418**
Insecticide Business	0	50,330	**0**	**57,310**
Impact of Currency Translation	(600)	(600)	**(673)**	**(673)**
Total International Jurisdictions	(600)	195,249	**115,861**	**288,055**
Total Revenue	3,072,395	5,520,496	**3,593,998**	**6,900,098**

Non-Current Assets consist of equipment, intangible assets and deferred tax. As indicated in the table below, Non-Current Assets are located in Canada.

Non-Current Assets	**June 30, 2015**	**December 31, 2014**
Canada	$469,596	$440,451
Foreign Jurisdictions	Nil	Nil

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