UNAUDITED INTERIM FINANCIAL STATEMENTS

CYMAT TECHNOLOGIES LTD.

Three and Nine Months Ended January 31, 2015 and January 31, 2014

Cymat Technologies Ltd.

INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at:	January 31 2015 $	April 30 2014 $
ASSETS		
Current assets		
Cash and cash equivalents	**157,522**	101,748
Restricted cash	**14,000**	14,000
Trade and other receivables	**138,195**	102,979
Inventory [note 5]	**273,707**	230,558
Prepaid expenses	**10,730**	14,197
Total current assets	**594,154**	463,482
Other assets	**27,930**	27,930
Property, plant and equipment, net	**273,867**	322,747
Licenses and technology rights	**-**	-
Total assets	**895,951**	814,159
LIABILITIES		
Current liabilities		
Trade and other payables	**604,839**	798,888
Deferred revenue	**-**	253,907
Current portion of deferred rent liability	**8,802**	4,434
Current portion of promissory notes payable [note 6]	**188,906**	768,464
Current portion of repayable government contributions [note 7]	**63,745**	78,745
Current portion of convertible debentures [note 8]	**8,450**	-
Total current liabilities	**874,742**	1,904,438
Non-current liabilities		
Deferred rent liability	**21,476**	28,606
Promissory notes payable [note 6]	**311,019**	311,019
Repayable government contributions [note 7]	**9,551**	51,704
Convertible debentures [note 8]	**1,289,746**	-
Total liabilities	**2,506,534**	2,295,767
EQUITY (DEFICIENCY)		
Share capital [note 9]	**65,782,189**	65,772,189
Contributed surplus	**5,964,819**	5,885,263
Conversion feature	**212,146**	-
Warrants [note 9]	**751,308**	538,150
Deficit	**(74,321,045)**	(73,677,210)
Total equity (deficiency)	**(1,610,583)**	(1,481,608)
Total liabilities and equity	**895,951**	814,159

See accompanying notes including:

On behalf of the Board:

Jon Gill — Director

Michael Liik — Director

INTERIM STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31 2015	January 31 2014	**January 31 2015**	January 31 2014
	$	$	**$**	$
Revenues	**580,960**	44,617	**1,352,369**	574,570
Plant operating expenses	**439,393**	213,736	**939,070**	771,901
Research and material testing expenses	**1,606**	2,007	**4,817**	6,021
Selling, general and administrative expenses	**253,061**	244,206	**808,288**	725,795
	694,060	459,949	**1,752,175**	1,503,717
Loss from operations	**(113,101)**	(415,332)	**(399,806)**	(929,147)
Foreign exchange gain (loss)	**(9,108)**	2,443	**3,951**	1,148
Interest and financing expense [notes 6, 7, 8 and 10]	**(108,207)**	(26,693)	**(247,980)**	(38,990)
	(117,316)	(24,250)	**(244,029)**	(37,842)
Net loss and comprehensive loss for the period	**(230,417)**	(439,582)	**(643,835)**	(966,989)
Deficit, beginning of the period	**(74,090,630)**	(72,380,236)	**(73,677,210)**	(71,852,829)
Net loss	**(230,417)**	(439,582)	**(643,835)**	(966,989)
Deficit, end of the period	**(74,321,047)**	(72,819,818)	**(74,321,045)**	(72,819,818)
Basic and diluted net loss per share	**(0.02)**	(0.03)	**(0.04)**	(0.07)
Weighted average number of shares:				
Basic and diluted	**14,408,810**	14,407,180	**14,407,723**	14,407,180

See accompanying notes

INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Unaudited)

	Common Shares		Contributed Surplus	Conversion Feature	Warrants	Deficit	Total Shareholders' Equity (Deficiency)
	#	$	$	$	$	$	$
May 1, 2013	**14,407,180**	**65,772,189**	**5,856,974**	**-**	**538,150**	**(71,852,829)**	**314,484**
Stock-based compensation	-	-	26,361	-	-	-	26,361
Net loss for the period	-	-	-	-	-	(966,989)	(966,989)
January 31, 2014	**14,407,180**	**65,772,189**	**5,883,335**	**-**	**538,150**	**(72,819,818)**	**(626,144)**
Stock-based compensation	-	-	1,928	-	-	-	1,928
Net loss for the period	-	-	-	-	-	(857,392)	(857,392)
April 30, 2014	**14,407,180**	**65,772,189**	**5,885,263**	**-**	**538,150**	**(73,677,210)**	**(1,481,608)**
Stock-based compensation	-	-	79,556	-	-	-	79,556
Issuance of convertible debentures	-	-	-	213,475	213,158	-	426,633
Conversion of convertible debenture	50,000	10,000	-	(1,329)	-	-	8,671
Net loss for the period	-	-	-	-	-	(643,835)	(643,835)
January 31, 2015	**14,457,180**	**65,782,189**	**5,964,819**	**212,146**	**751,308**	**(74,321,045)**	**(1,610,583)**

See accompanying notes

INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31 2015	January 31 2014	**January 31 2015**	January 31 2014
	$	$	**$**	$
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	**(230,415)**	(439,582)	**(643,835)**	(966,989)
Add items not involving cash				
Depreciation and amortization	**16,293**	21,969	**48,880**	68,798
Interest and royalties on promissory notes [note 6]	**-**	-	**(11,191)**	-
Interest on convertible debentures [note 8]	**24,865**	-	**61,356**	-
Stock-based compensation expense [note 10]	**17,005**	5,608	**79,556**	26,361
Non-cash interest and financing expense [note 8]	**28,138**	-	**57,144**	-
	(144,114)	(412,005)	**(408,090)**	(871,830)
Changes in non-cash working capital balances related to operations:				
Trade and other receivables	**35,469**	122,016	**(35,216)**	287,662
Inventory	**37,416**	25,541	**(43,149)**	168,716
Prepaid expenses	**10,771**	2,141	**3,467**	8,564
Trade and other payables	**(122,525)**	142,265	**(194,049)**	125,773
Deferred revenue	**-**	-	**(253,907)**	-
Deferred rent liability	**-**	(563)	**(2,762)**	(3,904)
Cash used in operating activities	**(182,983)**	(120,605)	**(933,706)**	(285,019)
FINANCING ACTIVITIES				
(Repayment of) proceeds from promissory notes	**-**	568,367	**(568,367)**	568,367
Proceeds from convertible debenture issuance	**-**	-	**1,615,000**	-
Repayment of government contributions	**(9,200)**	(13,610)	**(57,153)**	(40,403)
(Payments to) advances from related parties	**-**	(185,090)	**-**	(93,068)
Cash provided by financing activities	**(9,200)**	369,667	**989,480**	434,896
Net increase in cash and cash equivalents during the period	**(192,183)**	249,062	**55,774**	149,877
Cash and cash equivalents, beginning of period	**349,705**	1,608	**101,748**	100,793
Cash and cash equivalents, end of period	**157,522**	250,670	**157,522**	250,670
Supplemental cash flow information				
Interest received	**-**	-	**-**	61,062
Interest and financing expenses paid	**55,993**	37,794	**91,835**	43,002

See accompanying notes

NOTES TO INTERIM FINANCIAL STATEMENTS
For the Three and Nine Months Ended January 31, 2015 and 2014
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of Operations

Cymat Technologies Ltd. [“Cymat” or the “Company”] is a manufacturing company, which holds licenses and related patents to make, use and sell Stabilized Aluminum Foam [“SAF”]. SAF is produced utilizing a proprietary process in which gas is bubbled into molten alloyed aluminum containing a dispersion of fine ceramic particles to create foam, which is then cast into strong, lightweight panels and shapes. The Company is manufacturing SAF for use in architectural and blast mitigation applications and continues to develop applications for use in the automotive and industrial markets. The development of applications utilizing SAF as well as its production process involve significant financial risks, including the ability of the Company to develop and penetrate new markets, obtain additional financing as required, achieve profitable production and the ability for the Company to be able to successfully assert its intellectual property rights and protect against patent infringement.

The Company’s assessment of the realizable value of property, plant and equipment, and intangible assets is based on management’s assessment of potential indicators of impairment and best estimates of likely courses of action by the Company. This assessment is subject to significant measurement uncertainty. Material write-downs of these assets could occur if actual results differed from the estimates and assumptions used.

Going Concern Uncertainty

To date, the Company has financed its operations primarily through share issuances, investment tax credits, interest income, and collaborative co-development agreements. The Company has incurred significant operating losses and cash outflows from operations. As at January 31, 2015, the anticipated level of cash flows from operating activities for the next twelve months is not assured to be sufficient to sustain operations. The ability of the Company to continue as a going concern is dependent upon raising additional financing through borrowings or equity financing and ultimately achieving future profitable operations. The outcome of these matters is dependent on a number of items outside the Company’s control. As a result, there are material uncertainties that may cast significant doubt as to whether the Company will have the ability to continue as a going concern. These interim financial statements do not include any adjustments or disclosures that may result from the Corporation’s inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these financial statements, adjustments might be necessary in the carrying values of assets and liabilities, the statement of financial position classifications and the reported expenses. Such adjustments could be material.

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as prescribed by International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board [“IASB”] and interpretations of the International Financial Reporting Interpretations Committee [“IFRIC”].

The accounting policies used in the preparation of these unaudited interim financial statements are consistent with those used in the preparation of the audited annual financial statements for the year ended April 30, 2014. These interim financial statements should be read in conjunction with the April 30, 2014 annual financial statements.

These interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

These unaudited interim financial statements have been prepared on the basis of IFRS standards in effect as of January 31, 2015. The Company’s Board of Directors approved these interim financial statements on March 25, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Outlined below are those policies considered particularly significant:

Use of estimates

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates. Significant estimates include those used in:

- the measurement of the cost of finished goods inventory, including the allocation of costs of conversion and manufacturing overhead,
- impairment of inventory,
- allowance for doubtful accounts,
- the determination of the useful lives of long lived assets,
- the determination of the appropriate amount, if any, of the writedown in the carrying value of long term assets, including the estimation of the associated future cash flows and the appropriate discount rate used to estimate the recoverable amount,
- the valuation of repayable government contributions, including the timing of the future repayments and the appropriate discount rate to apply in the determination of present value,
- the valuation of the accrued royalties on the promissory notes, including the forecasted revenues and the appropriate discount rate to apply in the determination of present value,
- the valuation of the debt and equity components of the convertible debentures, including the appropriate discount rate to apply in the determination of the fair value of the debt component and
- the measurement of the fair value of share-based compensation, including the volatility and risk free rates used in the option valuation models and the estimation of number of options expected to vest.

Judgments

In the process of applying the Company's accounting policies, management has made judgments regarding the determination of whether there has been impairment in the carrying value of long term assets which has the most significant effect on the amounts recognized in the financial statements.

Revenue recognition

Revenue from the sale of manufactured products is recognized when the rights and obligations associated with the products are transferred to the purchaser. Normally this transfer occurs upon the products' departure from the Company's warehouse; however based on the terms of the specific transaction, transfer can also occur upon the product arrival at a designated shipment location. Amounts received in advance of earned revenues are recorded as deferred revenue.

Property, plant and equipment

Property, plant and equipment are recorded at their historical cost, and presented on the statement of financial position net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The cost and accumulated depreciation of replaced assets are derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive income (loss) during the period in which they are incurred.

Depreciation and amortization are calculated on a diminishing balance method so as to expense the cost of the assets less their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Office equipment	20% declining balance
Computer equipment	30% declining balance
Machinery and equipment	20% declining balance
Leasehold improvements	straight-line over the term of the lease

Construction-in-progress assets are not depreciated or amortized until such time that they are available for use. Depreciation and amortization ceases at the earlier of the date the asset is classified as held-for-sale and the date the asset is derecognized.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the statement of operations and comprehensive income (loss).

Impairment of non-financial assets

The Company tests non-financial assets such as property, plant and equipment and licenses and technology rights for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Licenses and technology rights are subject to an impairment test on an annual basis at minimum. For the purpose of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units or "CGUs"]. The Company consists of one CGU, namely the sale of SAF. The recoverable value is the higher of an asset's fair value less costs to sell and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. The Company evaluates potential reversals of impairment losses when events or circumstances warrant such consideration.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Compound financial instruments

The convertible debt issuance contains both a liability component, represented by the loan, and an equity component, represented by the share purchase warrants and conversion feature. The Company has allocated the total proceeds of the issuance between the debt and equity components of the convertible debenture using the residual method. First the fair value of the debt component was calculated as the present value of the related cash flows using an appropriate discount rate. The remaining proceeds were allocated to the equity components of the convertible debt with this amount divided between the warrants and the conversion feature based on their relative fair values as calculated using the Black-Scholes option pricing model. The fair value of the debt portion is accreted to its face value through the recording of interest expense, calculated using the effective rate method, over the term of the convertible debentures.

Share-based compensation

The Company has a share-based compensation plan, which is described further in note 10.

The Company follows the guidance in IFRS 2, Share-based Payment, which includes the fair-value based method of accounting for all its share-based awards. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period, based on the number of options that are expected to vest, with an offsetting increase to contributed surplus. The number of options expected to vest is reviewed at least quarterly, with any impact recognized immediately.

Net income (loss) per share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is calculated using the weighted average number of common shares outstanding for the period for basic net income (loss) per share plus the weighted average number of potential dilutive shares that would have been outstanding during the period had all potential common shares been issued at the beginning of the period or when the underlying options or warrants were granted, if later, unless they were anti-dilutive. The treasury stock method is used to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of stock options and warrants to acquire common shares. The weighted average number of common shares outstanding has been adjusted to give effect to the share consolidation that occurred on June 25, 2014.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The IASB has issued a number of amendments to standards that are not yet effective for the period ended January 31, 2015. Accordingly these standards have not been applied in the preparation of these financial statements.

The following is a description of the new standards:

The IASB published IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. The IASB also has a separate active project on accounting for macro hedging.

IFRS 9 will be effective for annual periods beginning on or after January 31, 2018. The Company does not anticipate early adoption of this standard and has not yet assessed its impact on the financial statements.

IAS 32 Financial Instruments: Presentation was amended to address inconsistencies in current practice when applying the offsetting criteria. The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and clarify that some gross settlement systems may be considered to net settlement. The amendment is effective for annual periods beginning on or after July 1, 2014. The adoption of this standard will not have a material impact on the Company's financial statements.

NOTES TO INTERIM FINANCIAL STATEMENTS
For the Three and Nine Months Ended January 31, 2015 and 2014
(Unaudited)

5. INVENTORY

	January 31, 2015	April 30, 2014
	$	$
Raw materials and consumables	**96,931**	148,626
Work-in-process and finished goods	**176,776**	81,932
	273,707	230,558

During the nine months ended January 31, 2015, the Company recorded a charge of $nil (2013 - $nil) to reduce the carrying values of inventory to net realizable values.

6. PROMISSORY NOTES PAYABLE

	January 31, 2015	April 30, 2014
	$	$
Promissory notes	**-**	586,777
Promissory notes – accrued royalties	**499,925**	492,706
	499,925	1,079,483
Less: current portion	**188,906**	768,464
	311,019	311,019

In January of 2014, the Company issued promissory notes (the “Notes”) for gross proceeds in the aggregate amount of $568,367. The Notes carried an interest rate of 12% per annum and additional consideration of a perpetual royalty equal to one percent of sales for each pro-rata portion of $100,000 in principal. The perpetual royalty survives the maturity of the Notes, which were to mature on July 31, 2014. The Notes were secured by a claim on the patents and related intellectual property regarding the SAF manufacturing process. Gross proceeds from the issuance of the Notes included $218,367, in settlement of advances from a related party.

In recording the liability for the Notes, a liability for the estimated future royalty-based financing fees payable has been recorded with an offset to (non-cash) interest expense. In calculating the fair value of these accrued royalties, the Company estimated the future revenues and applied a risk adjusted discount factor of 45%. The total accrued royalty amount includes royalties accrued based on sales pertaining to the period ended January 31, 2014 in the amount of $29,980 and royalties estimated for future periods in the amount of $469,945.

The principal amount of the notes, as well as a portion of the accrued interest, was settled in July of 2014 by the issuance of convertible debt (See Note 8) with a face value of $598,000. The royalty survived the settlement of the Notes.

Interest and financing expense for the nine-month period includes interest in the amount of $11,959 and royalties in the amount of $68,768 relating to the Notes, with interest of $4,595 and royalties of $26,421 pertaining to a related party.

7. TECHNOLOGY PARTNERSHIPS CANADA [“TPC”] CONTRIBUTIONS

The reconciliation of the carrying amounts of repayable government contributions at the beginning and the end of the current period and previous year is as follows:

	January 31, 2015 $	April 30, 2014 $
Repayable government contributions, beginning balance	**130,449**	164,606
Payments	**(60,000)**	(40,000)
Interest	**2,847**	5,843
	73,296	130,449
Less: current portion	**63,745**	78,745
	9,551	51,704

The Company entered into an agreement with Technology Partnerships Canada (“TPC”), a program of Industry Canada, in March 1997 and as amended on March 23, 1998, March 31, 1999 and April 26, 2001 [the "TPC Agreement"] in which TPC made a repayable contribution [the "TPC Contributions"] to the Company equal to 35% of the eligible expenses incurred by the Company in connection with the work program set out in the TPC Agreement [the "TPC Program"], to a maximum of $3,357,550, between October 1, 1996 and July 31, 2002.

As a condition of the TPC Agreement, the Company was required to make an annual royalty payment to TPC based on revenue from the sale of SAF of 3.45% until the sum of all royalties paid equaled $6,686,874 [the "TPC Royalty"].

In April of 2013, the Company signed a Debt Settlement Agreement with Industry Canada regarding the funds repayable under the TPC Agreement. At the time of the signing of the Debt Settlement Agreement, an aggregate of $6,366,350 remained to be paid under the former TPC Agreement.

Under the Settlement Agreement, Industry Canada agreed to accept payments in the aggregate amount of $175,000 in settlement of Cymat’s entire obligation under the TPC program. The settlement is payable in 35 monthly installments of $5,000 each; payments commenced on May 15, 2013.

During the nine months ended January 31, 2015, an interest expense in the amount of $2,847 (2014 - $4,598) was recorded on the liability under the Debt Settlement Agreement at an interest rate equal to the bank rate plus 3% (4.25% at period end) which is the interest rate inherent in the Debt Settlement Agreement.

8. CONVERTIBLE DEBENTURES

In July and August 2014, the Company issued Convertible Debentures (the “Debentures”) with aggregate face values of $1,220,000 and $395,000, respectively, via a non-brokered Private Placement Financing (the “Financing”). The Financing consisted of Debenture Units (the “Units”) priced at $1,000 per Unit with each Unit consisting of Debentures in the principal amount of $1,000 and 5,000 Common Share Purchase Warrants (the ‘Warrants”). The Debentures bear interest at a rate of 12% per annum, mature on June 30, 2017, and are convertible, at the option of the holder, into 5,000 common shares. Half of the interest is payable quarterly in arrears, and the remaining half of the interest is accrued and payable at the earliest of the conversion date and the maturity date. Each Warrant entitles the holder to purchase one common share at an exercise price of $0.25 until June 30, 2017.

The holders of the promissory notes outstanding as at April 30, 2014 exchanged their notes for 598 Units, representing Debentures with a face value of $598,000. This exchange included 230 Units, representing Debentures with a face value of $230,000, issued to a related party.

At the inception of the Debentures, the fair values of the loan and equity components were measured at their fair value using the residual method.

The fair value of the loan component, in the amount of $1,188,367, was determined by calculating the present value of the cash payments associated with the Debenture using a discount factor equal to the Company's estimated risk-adjusted rate of borrowing. The fair value of the loan component is being accreted to its face value through the recording of interest expense as calculated using the effective rate method. A summary of the carrying amount of the debt component of the Debentures is as follows:

	January 31, 2015 $
July issuance of convertible debt (Face value $1,220,000)	895,884
August issuance of convertible debt (Face value $395,000)	292.483
Interest accrued	105,811
Interest paid	(44,455)
Interest accretion (non-cash)	57,144
Debentures converted (Face value of $10,000)	(8,671)
	1,298,196
Less: current portion	8,450
	1,289,746

In January of 2015, Debentures with a face value of $10,000 were converted by the holder into 50,000 common shares.

Interest and financing expense for the nine months ended January 31, 2015, includes interest in the amount of $162,955 pertaining to the Debentures, with interest of $16,024 pertaining to a related party.

The residual amount of the total fair value of the Debentures was allocated between the conversion feature and warrants based on their relative fair values calculated using the Black-Scholes option pricing model. As a result a value of $213,475 was allocated to the conversion feature and a value of $213,158 was allocated to the warrants.

9. SHARE CAPITAL

[a] The Company is authorised to issue an unlimited number of common shares.

[b] In June of 2014, the Company enacted a Share Consolidation (the "Consolidation") whereby ten (10) pre-consolidation common shares were exchanged for one (1) post consolidation share. After the Consolidation, issued and outstanding common shares totalled approximately 14,407,180 shares. As a result of the Consolidation, the warrants and stock options that were outstanding at the time were also reduced in number by a factor of ten and their associated exercise prices were adjusted by a multiple of ten. The numbers of outstanding common shares reflected in these financial statements have been retroactively adjusted to give effect to the Consolidation. This adjustment affects the weighted average number of common shares and the associated loss per share calculations, among other share-related figures.

[c] In July of 2014, the Company issued 6,100,000 common share purchase warrants as part of a convertible debenture financing (See Note 8). In August of 2014, the Company issued a further 1,975,000 common share purchase warrants as part of the same convertible debt financing. Each warrant entitles the holder to purchase one common share at an exercise price of $0.25 per share until June 30, 2017.

[d] In January of 2015, the Company issued 50,000 common shares as the result of the conversion of convertible debentures with a face value of $10,000.

[e] To date, the Company has not paid dividends on its common shares.

10. SHARE-BASED COMPENSATION

The Company's stock option plan allows for the issuance of options, in aggregate, to acquire up to twenty percent (20%) of the number of common shares issued and outstanding on the effective date of the plan. The aggregate number of shares reserved for issuance under the terms of the Company's stock option plan is 2,881,437 on a post Share Consolidation basis.

The Company's stock option plan provides that the exercise price of options that may be granted cannot be less than the market price of the Company's common shares at the time the option is granted. Options granted may be exercised during a period not exceeding five years. The vesting period of plan options granted is at the discretion of the Company's Board of Directors at the time of grant.

In October 2014, the Company granted 950,000 incentive stock options to certain directors, officers and employees. Each option is exercisable into one common share at $0.185 per share until October 28, 2019. 566,665 of these options will vest only if certain performance criteria pertaining to future fiscal years are met. No options were granted in the year ended April 30, 2014.

During the nine months ended January 31, 2015, the Company recognized a share-based compensation expense in the amount of $79,556 (2014 - $26,361). Share-based compensation expense is included in selling, general and administrative expenses.

11. RELATED PARTY TRANSACTIONS

During the nine months ended January 31, 2015, the Company received advances totaling $14,500 (year ended April 30, 2014 - $135,000) from certain officers of the Company and repaid advances totaling $14,500 (year ended April 30, 2014 - $50,000). Additionally, in the year ended April 30, 2014, advances totaling $181,500 and associated interest and fees totaling $36,868 were settled via issuance of a promissory note (See note 6).

In addition to the amounts reported for the promissory notes and the convertible debentures, interest expense for the nine month period ended January 31, 2015 includes interest expense totaling $Nil (2014 - $12,784) and other fees totaling $1,450 (2014 - $20,500) paid or payable to related parties.

12. COMMITMENTS AND CONTINGENCIES

The Company leases its manufacturing premises. The lease is in effect until July 31, 2018. As at January 31, 2015, the future minimum annual lease payments (excluding taxes and operating expenses) under operating leases in aggregate are as follows:

	$
Remainder of fiscal 2015	37,677
2016	150,708
2017	150,708
2018	150,708
Thereafter	37,677