SOLARVEST BIOENERGY INC.

ANNUAL REPORT 2015

Solarvest BioEnergy Inc.

Dear Shareholder,

Solarvest BioEnergy (SVS-V) is focussed on developing its patented algae technology in both nutraceutical and pharmaceutical applications. With near term commercialization of its Omega-3 Algae based (additive, oils and capsules) nutraceutical product that is completely organic and FDA approved.

Highlights:

- Agreements With EU Production Facilities for Its Organic Omega-3 Algae Products.
- Acquired four bioactive patents strengthening the proprietary algae platform.
- MOU with a leading Canadian nutraceutical company for sales of $1,500,000 in high EPA algae product.
- Hydrogen NSERC grant resulted in independent confirmation of our proprietary algae strains.
- Our Nanuq Brand logo will be printed on our customers' nutraceutical and food packaging for white-labelling in large chains and distribution in food production.

Ready for Market: We recently received FDA approval to sell our lead product(s) Nanuq™ Organic Omega-3. These products are the world's first to contain organic DHA/EPA, the valuable forms of Omega-3. Unlike plant sources (ALA), marine based Omega-3's like ours are the majority of the market and attract high prices because they are 20 times more effective. Fish oil has dominated this market but fish oil has limitations and problems, not the least of which is contamination with heavy metals and PCB's.

Multi-Billion Dollar Market: **The market for Omega-3 products currently is $13 billon forecast to grow to $15 billion by the end of 2015.**

Solarvest has solved this problem with its unique Algae based Omega-3 products. Algae can be produced sustainably, without contamination or fishy flavor. The Organic advantage appeals to a large segment of the nutraceutical and food additive market (estimated at over 50 million Americans). Our organic products are processed without chemicals and/or GMO's and for this reason they are perceived as healthier. These substantial competitive advantages will allow the company to rapidly penetrate the market with high value products.

Patent Activities: Solarvest has been active in strengthening its patent portfolio and has acquired four bioactive patents that are an appropriate fit with our existing in house R&D technology. We have also submitted a comprehensive data package in support of its organic Omega-3 claim. The additional data will increase the scope and strength of this key patent.

Initial Order: Solarvest has signed an MOU for an order equaling $1,500,000 ($750,000 each year, equal to half their demand) over the first two years of the contract, for the supply of organic Omega-3 products. The customer is a premium nutraceutical company that specializes in the high EPA market segment and to date has supplied their customers with fish oil. They have recognized the competitive advantage organic provides, as well as a reliable, clean and sustainable supply only possible from an algae based product.

Future Opportunity: We have patents for the expression of highly valuable therapeutic human proteins. Solarvest's Algal Protein Platform has many advantages as compared to current industry processes, which utilize E.coli or yeast in the production and can cost millions of dollars per gram of bioactive compound:

- Micro-algae harbour no known human pathogens, unlike the currently utilized human, bacterial and animal cells lines
- Algae are capable of high quality, volume production of active proteins
- Algae can be grown in sterile bioreactors under controlled conditions

This breakthrough technology could substantially reduce the cost of production, with the potential to increase the economical access to hundreds of products for human and animal health.

Along with the valuable protein expression, Solarvest has engaged in research to biologically split of water with algae based technology to produce hydrogen.

Capital Structure:

Shares Outstanding: 21,378,516
Price~ $0.25 Market Cap~ $5 Million
Insider Ownership: 48.8%,
Government Funding: $2.0 million
Total Development Spending: + $5.5 million

The Management Team:

The Management team and Board of Directors have many years of experience in biotechnology, finance, public company operations and the food production industry. Members of our team were responsible for Cobequid Life Sciences (TSXV:KQR), which was bought out by Novartis. Management's innovative track record comprised of many industry firsts including the launch of the world's first commercialized DNA vaccine. Over 60 biotech products were manufactured, licensed and launched in 10 countries. Their experience in these highly regulated industries is ideal for production, branding, launch and export of these principally Business to Business Omega-3 products. For more Information please see www.solarvest.ca

Gerri Greenham, CEO

SOLARVEST BIOENERGY INC.

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2015.

The following discussion of financial performance and condition should be read in conjunction with the condensed consolidated financial statements of Solarvest BioEnergy Inc. (the "Company") for the year ended July 31, 2015 and 2014 and the notes thereto, that have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars, which is the functional currency unless otherwise indicated. This report which is dated November 26, 2015 and the Company's other public filings can be reviewed on the SEDAR website (www.sedar.com).

This Management Discussion and Analysis ("MD&A") has been approved by the Board of Directors on November 26, 2015.

Forward-Looking Statements

This MD&A may contain statements regarding future events, results or outlooks that are considered "forward looking statements" within the meaning of securities regulation. These forward looking statements reflect the management's best judgment based on current facts or assumptions that management considers reasonable and include the words "anticipate", "believe", "could", "estimate", "expect', "intend", "may", "plan", "potential", "pursue", and similar expressions or variations of such words. Forward-looking statements contain significant risks and uncertainties. A number of circumstances could cause results to differ materially from the results discussed in the forward looking statements including, but not limited to, changes in general economic and market conditions, political issues, permitting, environmental, research and development success, continued availability of capital and other risk factors. Of significance, the Company requires funding to fund its research and development in addition to successful completion of future private placements. The Company has also established research and development goals, which may or may not be realized. The forward looking statements contained in this MD&A are based on what management believes to be reasonable assumptions; however, we cannot assure that the results will be compatible to the forward looking statements as management assumes no obligation to revise them to reflect new circumstances. No representation or warranty is intended with respect to anticipated future results, that estimates and projections will be sustained or that any project will otherwise prove to be economic. Historical information contained in this MD&A has been derived from information provided by certain third parties. The Company has no knowledge that would indicate the information is not true or incomplete and the Company assumes no responsibility for the accuracy and completeness of the information. Readers should not place reliance on forward-looking statements, which speak only of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. More information concerning risks and uncertainties that may affect the Company's business is provided under "Business Risk" in this MD&A.

Description of Business

The Company was incorporated under the Business Corporations Act (British Columbia) on November 9, 2005.

The Company has three wholly owned subsidiaries, Phycobiologics (Europe) Limited ("Phyco Europe"), Phyco Hydrogen Inc. ("PHI"), and Solarvest (P.E.I.) Inc. ("PEI"). Phyco Europe was incorporated in July 2006 in Scotland. PHI was incorporated in July 2007 in the State of Delaware in the USA. PEI was incorporated in September 2009 in the Province of Prince Edward Island, Canada.

The principal business of the Company has been concentrated on the development of specially selected algal-based production systems to produce natural based 'green' commercial products for example nutritional products, oils and biologic therapies. This algal-based production system, can in the future, be modified to meet the Company's original long-term goal of sustainable production of hydrogen.

Having the flexibility to produce high value proteins, as well as a carbon neutral sustainable energy source using the same biological production system, will diversify the risk associated with the Company and increase significantly the short-term revenue potentials.

The Company has been developing a commercialization strategy that uses its algal-based production systems to meet the growing demands for an environmentally acceptable source of products that have near, mid and long term revenue potential.

- In the near term the Company is developing algae strains that are rich in DHA/EPA which are the most valuable forms of Omega 3 fatty acids.
- In the mid-term the Company is developing algae strains that can be used to produce proteins with the first such target being a therapeutic that has use in human and animal orthopedic surgery.
- Long-term development plans include the commercialization of a genetically modified algae strain that can be used to produce hydrogen.

The Company continues to prosecute its patent portfolio and the Company's PCT (Patent Cooperation Treaty) filing(s) are in the national phase. The Company intends to further pursue the development and licensing of its intellectual property through the formation of strategic partnerships that will enable it to achieve its goals.

Research and Development Activities

The Company's research and development programs are designed with a number of near term and long-term possibilities for commercialization. These programs are based on harvesting valuable bio-actives and natural resource potential from algae. The Company operates research and development activities in a 5,000 square foot laboratory facility, located in Summerville, Prince Edward Island. In addition, the company is actively collaborating with experts at multiple research centers including, Université de Montréal, The University of New Brunswick and the National Research Council Institute for Nutrisciences and Health.

The Company has developed specific research programs with respect to each of its commercialization goals;

Near-term Goals

Omega 3's - Solarvest has developed algae strains that are individually rich in DHA and/or EPA, the most valuable forms of Omega 3 fatty acids. This $13 billion market is forecast to grow to $15 billion by the end of 2015, with the USA alone buying 7.9 billion in Omega 3 supplements and enhanced products. To date the primary source of Omega 3's are fish oils, which can be contaminated with heavy metals and PCBs and are not a sustainable source capable of meeting the anticipated growth / future demand. Algae can be used to produce Omega 3's sustainably, economically and chemical-free. Through its internal R&D program the company has developed a proprietary formulation for producing high Omega 3 algae that are 100% organic. This patent-pending technology will allow the Company to occupy an unsatisfied market segment for organic certified Omega 3's. The Company also leverages expertise from the National Research Council for Nutrisciences and Health to assist with the characterization of lipids and fatty acids in algae. In addition the NRC will assist the Company with training of personnel for technology transfer to a quality assurance program for lipid characterization in final product formulations. The Company has been working with two European manufactures to produce scalable quantities of its Omega 3's for testing consumer foods and supplements. The Company's also has plans to renovate an additional 8,000 square feet at its Summerville facility for the installation of manufacturing equipment for 'in-house' production of specialized organic certified omega 3 products.

The challenge for the company has been to scale up pilot production results to production size equipment in a timely manner while utilizing a contract facility and meet all regulatory requirements for food and natural ingredient specifications. Ultimately the Company aims to custom produce an organic chemical-free Omega 3's and other nutritional oils to meet customer specifications.

The production of a high Omega-3 algal paste, powder and bulk algal oil for use in fortified foods and beverages and for the use of algal oil in a format suitable as a nutraceutical supplement is actively being pursued in Canada, Europe and the US. Algal oil has been awarded a generally regarded as safe (GRAS) classification in the United States and an algal oil nutraceutical supplement has been approved for use in Canada. The company has received FDA NDI (New Dietary Ingredient) notification for its developed algae powder for use in nutraceuticals. Use as a food supplement is allowed, but a specific approval will be pursued to support marketing efforts. The Canadian and EU registrations are the next targeted markets. The regulatory pathway is clear, and a positive reply is expected but Solarvest is unable, at this point, to accurately predict (regulatory timeline) when the specific product registrations will be completed for these markets.

Solarvest has received a patent (published late in 2014) that will enable the Company to comply with EU organic and 100% USDA organic regulations. This innovation will further protect the Company's unique process for the production of a line of Omega 3 algal-based products. Solarvest intends to market a natural, premium, organic certified Omega 3 nutraceutical product(s) to food producers and grocery chains throughout North America, China and Europe.

Mid-term Goals

Alternate therapies - The Company is developing an algae strain that can be used to develop a bioactive therapeutic used in orthopedic surgery. Traditionally, 'Bone Morphogenetic Protein-2 and -7' (hrBMP-2 and -7) are applied during surgery to accelerate bone growth. The existing human market is $1 billion; however the current production process is complicated and involves numerous steps to process the product into an active protein - with the required three dimensional folding necessary for product effectiveness. Algae can be grown relatively quickly, in large quantities and have the natural ability to simplify this process and produce a protein with the necessary three dimensional shape and quality required. Algae as a protein production system also have the benefit of increased safety since algae harbor no known human pathogens. Additionally, the Company could access the human therapeutic market by supplying active ingredients to pharmaceutical companies with licensed products. A cost effective product could increase market reach as well as open up the veterinary market.

Long-term Goals

Hydrogen Production - Solarvest has patents pending for the biological splitting of water by microalgae into its component parts - Hydrogen and Oxygen gases. Algae perform this process using only water and sunlight both inexpensive inputs fuelled by carbon dioxide, CO_2. This active research program has led to the development of a genetically modified algae strain that continuously produces six times more hydrogen per alga cell as compared to wild-type cells under laboratory conditions. For Solarvest to be successful the challenge is to be able to enhance the algae to produce levels of hydrogen that are commercially significant with the infrastructure required for growth and containment.

In partnership with Dr. Patrick C. Hallenbeck's laboratory at Université de Montréal, Solarvest completed an NSERC Engage-funded project in December 2013, the "**Molecular characterization of Solarvest H2 (hydrogen) producing algal strain for the development of targets for strain and process improvement"**. Dr. Hallenbeck's group was able to demonstrate that the Solarvest modified strain of microalgae produced six times more hydrogen per cell as compared to the industry standard wild-type strain. In addition, the Solarvest strain demonstrated continuous hydrogen production; producing hydrogen ten times longer when compared to the industry standard wild-type microalgae even though the laboratory growth conditions were less than optimal. Solarvest will continue to support this collaboration with Dr. Hallenbeck who was recently awarded an NSERC Engage Plus Grant to continue this work. Dr. Hallenbeck's group will investigate the impact of light cycles and variations of growth modes and growth media on hydrogen productivity. This work with further define specific operational conditions that will enhance hydrogen production in Solarvest's proprietary algal strain of *Chlamydomonas reinhardtii* and to identify key molecules that are involved in regulating increased hydrogen production.

In partnership with Dr. Sean McGrady at the University of New Brunswick, Solarvest is working on the "Purification and trapping of Bio-hydrogen". The project is funded in part by and NSERC Engage and MITACS is focused on developing a hydrogen purification system that can be used to quantify and store bio-hydrogen released by algae strains.

The industrial demand for hydrogen is substantial and the use as a clean fuel will greatly increase with the launch and public acceptance of fuel cell automobiles. Hydrogen can be burned or used in a fuel cell and releases heat energy and water as its only byproduct. The Company will continue to seek out funding and synergistic partners to support and further this work.

Facilities

On January 1, 2013, the Company leased new premises, located in Summerville, PEI, to further its research and at the same time to provide a core facility to develop and test the algal production of Omega 3 nutritional oils. Following a $400,000 investment in infrastructure upgrades, the facility now houses approximately 5,000 square feet of office space on the second floor, 5,000 square feet of research labs and development area and an additional 5,000 square feet of production and quality control areas. The first floor work areas have been separated to ensure separation of research and production. The west end of the building contains the research labs and development areas which, in addition to the structural improvements, have been equipped with new ventilation, chemical fume hoods, biological safety cabinets, steam sterilization equipment and areas dedicated to molecular, imaging and Omega-3 oil analysis. The production areas separated by controlled access hallways include labs for media preparation, sterilization and quality control testing. Located within this area are also the algal seed collection and seed preparation labs for the algae strains required to produce the Omega-3 oils. These areas are all accessible off the main production area, and airlocks to prevent transmission of contaminants handle transition between these sections.

The main production area will house the fermentation, dewatering and packaging equipment to produce an Omega-3 algae paste. Solarvest was awarded a Federal Government ACOA BDP capital loan in September of 2012 to assist in their acquisition of production scale equipment. This 50% funding was withdrawn due to the company re-allotting the funds to implement a contract manufacturing program. Solarvest will reapply at the appropriate time post product launch or when funds are available for in-house production. This production site is designed to facilitate the manufacture of nutraceuticals as per Good Manufacturing Practices (GMPs) and had been designed to accommodate FDA regulations. In addition Hazard Analysis Critical Control Points (HACCP) will be implemented for Omega3 production for foods and Good Laboratory Practices (GLPs) will be implemented in research and development processes. Completion of this facility will depend upon sufficient funds being raised by the company and receiving regulatory approval.

To augment the Summerville facility while the production area is being completed and to decrease the time to market, Solarvest has made arrangements with European manufacturers to produce sample batches of Solarvest's Omega-3 product and to scale-up its process to commercial production levels. The company has in hand production protocols that yield commercial quantiles of its product and is procuring a production schedule at its preferred commercial manufacturing site in Germany. This production could commence in the near future at this facility that has ISO and organic certifications in place.

Intellectual Property

The Intellectual property consists of worldwide exclusive rights, subject to limited exceptions, to a unique Inducible Chloroplast Gene Expression System patent. Solarvest has previously disclosed that the European patent office will allow the claims of Solarvest's European "System, Method and Device for the Expression or Repression of Proteins" patent application and they intend to grant the patent. The patent office in Korea has issued a similar approval. This is a significant milestone in Solarvest's patent portfolio due to the fact that this patent covers many areas of production (expression) of bioactive therapeutics. The substantial scope of potential products include proteins, antigens, and antibiotic like molecules as well as the company's clean hydrogen production technology. This provides the company the approvals required to expand programs of protein expression and clean H2 production.

The Company also previously announced that it has purchased worldwide rights to certain patents and patent applications from Kohilo Bio Inc. This acquisition will strengthen and diversify Solarvest's existing patent portfolio and will enable it to operate unimpeded in several global markets. In particular, this acquisition gives Solarvest complete worldwide rights (previously shared rights) to the Algae Technology Patent (System Method Patent- noted in the above paragraph) that it previously licensed as a part of its Qualifying Transaction in 2008. This Algae Technology Patent particularly adds strength to Solarvest's position as it relates to the creation of products by manipulating cell processes in algae -environmental bioremediation, and animal and human health products. The Company will focus on using its unique algae strains as a 'biological manufacturing platform' to produce a diverse products ranging from vaccines and bioactive proteins to enzymes.

Overall Performance

The Company incurred a net loss of $1,483,788 for the year ended July 31, 2015 compared to $951,174 for the comparative period of the prior year.

At July 31, 2015, the Company had $3 (2014 -$148,495) in cash. Working capital deficiency at July 31, 2015 was $1,000,963(2014 - $435,979).

Selected Financial Data

The following financial data are selected financial information as at July 31, 2015, July 31, 2014 and July 31, 2013 respectively.

	July 31, 2015	July 31, 2014	July 31, 2013
Total Revenues	$Nil	$Nil	$Nil
Net income (loss) for the year	(1,483,788)	(951,174)	(692,322)
Total assets	1,078,931	1,341,273	1,229,998
Total long term liabilities	126,000	69,577	35,292
Shareholders' equity (deficiency)	(77,562)	578,303	429,752

Other Events and Transactions

Atlantic Innovation Fund

The Company signed an agreement with the Atlantic Canada Opportunities Agency (ACOA). The Company continues to be eligible to receive, subject to certain conditions, approximately $1.9 million in funding under the Atlantic Innovation Fund for the purpose of implementing a $3.3 million research and development project to develop dietary oils for the aquaculture industry using algae. Under the terms of this prospective funding agreement, the project will be conducted in Prince Edward Island and Nova Scotia, and the Company will be expected to finance, through debt or equity, the balance of the project costs estimated at approximately $1.4 million over the four-year life of the project. Work on the project has begun and costs incurred to date will be eligible for support under the program. As at July 31, 2015, the Company has substantially received all of the allocated funding from ACOA.

Under the terms of the agreement, these funds are contingently repayable on a royalty basis of 5% of gross revenue from the above project beginning March 31, 2015. No royalties has been paid as at July 31, 2015.

Business Development Program

In November 2010, the Government of Canada through its ACOA Business Development Program extended additional funding to the Company aggregating approximately $378,000 to assist the Company further its research program in pursuing an alternative new source of renewable energy by generating hydrogen through algae production. The Company's share of cost for the research program is $235,000. As at July 31, 2015, the Company has substantially received all of the allocated funding from ACOA.

Under the terms of the agreement, these funds are contingently repayable on a royalty basis of 2.5% of gross revenue from the above project beginning March 31, 2015. No royalties has been paid as at July 31, 2015.

Summary of Quarterly Results

	Three month period ended July 31, 2015	Three month period ended April 30, 2015	Three month period ended January 31, 2015	Three month period ended October 31, 2014
Total assets	$1,078,931	$1,199,487	$1,300,085	$1,629,538
Working capital (deficiency)	(1,000,963)	(734,196)	(474,599)	(196,663)
Shareholders' equity (deficiency)	(77,562)	202,555	550,354	867,591
Revenues	-	-	14,622	16,444
Net Income (Loss)	(394,616)	(407,072)	(417,237)	(264,862)
Income (Loss) per share	(0.02)	(0.02)	(0.02)	(0.02)

	Three month period ended July 31, 2014	Three month period ended April 30, 2014	Three month period ended January 31, 2014	Three month period ended October 31, 2013
Total assets	$1,341,273	$1,546,938	$1,294,418	$1,398,359
Working capital (deficiency)	(435,979)	(194,948)	(357,150)	(279,697)
Shareholders' equity	578,303	871,838	669,283	762,362
Revenues	1,675	-	-	-
Net Loss	(382,075)	(218,630)	(183,079)	(167,390)
Loss per share	(0.02)	(0.02)	(0.01)	(0.01)

Summary and review of operations

For the year months ended July 31, 2015

	2015	2014
	$	$
Revenue	-	-
Expenses		
Research and development	1,023,926	922,272
Professional fees	212,668	185,473
Interest expense	5,942	6,685
Stock based compensation	3,508	-
Insurance	23,224	24,833
Rent and utilities	91,667	83,351
Travel	24,337	23,927
Foreign exchange loss	4,069	18,800
Amortization	221,807	206,695
Other operating expenses	78,292	82,150
	1,689,440	1,554,186
Recovery of R & D	(205,652)	(603,012)
	1,495,283	951,174
Net loss and comprehensive loss	(1,483,788)	(951,174)

The Company made a net loss of $1,483,788 (2014 – $951,174) during the year ended July 31, 2015, comparison of which are made on some of the following items:

Research and development cost of $1,023,926 (2014 - $922,272), a breakdown is provided below under “Research and development costs”.

Professional fees of $212,668 (2014 - $185,473) consisting of auditing, consulting and legal expenses. The increase of $26,375 results mainly from increase in legal fees, fees relating to patent expenses and the hiring of a patent agent on a retainer basis.

Interest expense of $5,942 (2014 - $6,685) relates to interest accrued on the promissory note payable. Prior year interest charges include interest on a loan from “Finance PEI”.

The Company granted 300,000 stock options to a consultant at an exercise price of $0.40 per with an expiry date of 18 months from date of issuance and is vested quarterly at the rate of 75,000 stock options per quarter. The value ascribe to the 75,000 vested during the quarter is estimated at $3,508 using the Black-Scholes model for calculating such value.

Insurance expense of $23,224 (2014 - $24,833) relates to directors and officers liability insurance and insurance for contents.

Rent and utilities of $91,667 (2014 - $83,351).

Travel expenses of $24,337 (2014 - $23,927).

Amortization of $221,807 (2014 - $206,695) is recorded on the research and development equipment and other capital assets (including intellectual property). The increase in expenses reflect additional equipment purchased for the new location and also from leasehold improvements additions.

During the year ended July 31, 2015, the Company received funding from ACOA aggregating $205,652 (2014 - $603,012) on research and development costs the Company had incurred which qualifies for ACOA funding.

For the three months ended July 31, 2015

	Three months ended July 31,	
	2015	2014
	$	$
Revenue	-	-
Expenses		
Research and development	218,066	321,887
Professional fees	72,261	67,081
Interest expense	1,438	1,509
Insurance	4,407	6,230
Rent and utilities	23,970	20,746
Travel	2,193	10,698
Foreign exchange loss	10,277	8,492
Amortization	57,250	93,195
Other operating expenses	21,957	19,048
	411,819	548,886
Recovery of R & D	(17,203)	(166,811)
	394,616	382,075
Net loss and comprehensive loss	(394,616)	(382,075)

The Company made a net loss of $394,616 (2014 – $382,075) during the three months ended July 31, 2015, comparison of which are made on some of the following items:

Research and development cost of $218,066 (2014 - $321,887), a breakdown is provided below under “Research and development costs”.

Professional fees of $72,261 (2014 - $67,081) consisting of auditing, consulting and legal expenses.

Interest expense of $1,438 (2014 - $1,509) relates to interest accrued on the promissory note payable.

Insurance expense of $4,407 (2014 - $6,230) relates to directors and officers liability insurance and insurance for contents.

Rent and utilities of $23,970 (2014 - $20,746).

Travel expenses of $2,193 (2014 - $10,698).

Amortization of $57,250 (2014 - $93,195) is recorded on the research and development equipment and other capital assets (including intellectual property).

During the three months ended July 31, 2015, the Company received funding aggregating $17,203(2014 - $166,811) on research and development costs the Company had incurred which qualifies for ACOA funding.

Research and Development Costs

For the year ended July 31, 2015, research and development costs expended is appended below:

For the year ended July 31,	2015	2014
Wages and benefits	$627,074	$462,899
Consulting	101,692	87,985
Contracted services	91,414	115,053
Research (note below)	75,438	-
Small tools and consumables	98,605	211,107
Repairs and maintenance	22,155	33,851
Freight and shipping	7,548	11,377
Total	$1,023,926	$922,272

Research expenses were paid to E-nema GmbH and Middlekamp Organic for the development and analysis of production protocols for high DHA Omega 3 algae powder.

Recovery of Research and Development Expenses

The costs, which are reported on the financial statements as “Research and Development”, do not include all eligible costs (such as various office, equipment, and other such costs) eligible for recovery. These other costs are recorded elsewhere in the financial statements but are included in the rebate calculation. Additionally, the actual rebate in any given period may vary from the figure estimated and accrued by management. Any such variance would be reflected in the period in which it was realized.

Impairment of Intellectual Property

Management test for impairment annually, at which time Management takes into account the following:

i. The Intellectual Property reflects fair value and is the original historical costs upon acquisition less amounts amortized to date. Subsequent costs incurred with the enhancements of the intellectual property were written off. The Intellectual Property represents the most significant asset of the Company and one upon which the Company’s business plan has been developed. The Company could look to the market value of the Company to gauge its value. Based on a share price range of $0.10 – 0.30, the value would be in excess of $1 million dollars.
ii. The development milestones with respect to the technology have been successfully achieved to date.
iii. Intellectual property is amortized over a 20-year life on a straight-line basis.

As at July 31, 2015, management had determined that there was no impairment to the Company’s intellectual property.

Liquidity and Capital Resources

On October 15, 2014, the Company closed a private placement through the issuance of 2,000,000 units at $0.25 per unit for gross proceeds of $500,000. Each unit consists of 1 common share and 1 share purchase warrant. Each warrant is exercisable for $0.35 per share for a period of 18 months from the date of issuance. In connection with the private placement, the Company issued 63,000 finder's warrants.

On April 28, 2015, the Company closed a non-brokered private placement of 242,000 Units at a price of $0.25 per share for gross proceeds of $60,500. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and includes an acceleration clause that is triggered by a share price of $0.55 per share. In connection with the private placement, the Company paid finders' fees of $4,235 and issued 16,940 non-transferable finder's warrants. Each finder's warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and includes an acceleration clause that is triggered by a share price of $0.55 per share.

On May 28, 2015, the Company closed a non-brokered private placement for 458,000 common shares of the Company at a price of $0.25 per share for gross proceeds of $114,500.

On November 13, 2015, the Company closed a non-brokered private placement pursuant to which an investor purchased from the Company 400,000 units at a price of $0.25 cents per unit for gross proceeds of $100,000. Each unit consists of one common share and one warrant. Each warrant is exercisable for one common share at $0.35 per share for a period of 18 months from closing and includes an acceleration clause that is triggered by a share price of $0.55 per share.

In addition to seeking capital through private placement, the Company actively pursues Governmental programs through grants and subsidy to fund its research program. The Company will require approximately $1,500,000 in funding for working capital within the next 12 months based on budgeted work programs and is estimated as follows:

Operating expenses	$1,400,000
Equipment purchases	200,000
	$1,600,000
Estimated receipts from grants and loans	(130,000)
	$1,470,000
Estimated funding required – say	$1,500,000

Should funding requirements from private placements or from other funding sources not materialized, the Company will have to curtail its research activities and other developmental programs.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

As at July 31,		2015		2014
Working capital (deficiency)	$	(1,000,963)	$	(435,979)
Deficit		(4,729,282)		(3,245,494)

Year ended July 31, 2015

Net cash during the year ended July 31, 2015 decreased by $148,492 compared to an increase of $80,117 for the comparative prior period and is attributed to the following:

Cash used in operating activities for the year ended July 31, 2015 was $778,590 compared to $784,755 for the comparative period.

Net cash used for investing activities for the year ended July 31, 2015 was for purchase of equipment in the amount of $42,733 and $41,973 were additions to leasehold improvements. For the comparative period, $78,653 was incurred for equipment purchases and $152,754 for leasehold improvements respectively.

The Company closed three private placements and raised net proceeds of $654,415 through the issuance of 2,242,000 units at $0.25 per unit and 458,000 common shares at $0.25 per share. Each unit consists of one common share and one share purchase warrant exercisable at $0.35 per share for a period of 18 months from date of issuance. In addition, the Company issued 79,940 finder's warrants.

For the comparative period, the Company closed 5 private placements and raised net proceeds of $1,099,725 through the issuance of 4,206,665 common shares, 1,603,333 share purchase warrants and 94,200 finder's warrants .

The Company drawn down its Capital Improvement Loan by an additional $57,973 and repaid $3,600 of this debt during the year. For the comparative period, the Company made a net repayment of $9,462.

Related Party Transactions

The Company entered into the following transactions with related parties during the year ended July 31, 2015:

a) Received advances of $204,000 (2014:- $27,383) from Gerri Greenham, President & CEO of the Company for short-term cash requirements.

b) Accrued interest of $6,016 (2014:- $6,016) due on the promissory note held by Gerri Greenham, President & CEO of the Company.

c) Incurred and accrued $38,035 (2014:- $41,155) of legal fees to Cawkell Brodie LLP, a legal firm where a principal Kenneth Cawkell is a director of the Company.

d) Gerri Greenham, President & CEO of the Company subscribed for 1,200,000 units (2014:- 1,000,000 common shares and 400,000 units) of the Company in connection with the private placements for proceeds of $300,000 (2014:- $390,000).

e) The Company accrued $24,000 (2014:- $24,000) to Joseph Heng, the CFO for services rendered to the Company.

f) On August 6, 2014, the Company purchase the worldwide rights to certain patents and patent applications from Kohilo Bio Inc. ("Kohilo"). The total purchase price of $102,643 was satisfied through the issuance of 200,000 common shares of the Company at a deemed price of $0.35 per share and the assumption of $32,643 of Kohilo's debt. Kohilo is a company controlled by Garth Greenham, Chief Operating Office of the Company and Mike Horne, a director of Phyco Europe.

(g) On January 19, 2015, the Company issued 285,714 common shares at a deemed price of $0.35 per share aggregating $100,000 as a settlement of debt to Cawbro Holdings Ltd. (a private holding company for the partners of Cawkell Brodie LLP) with respect to legal services performed in fiscal years ended July 31, 2009 and 2010.

(h) On May 28, 2015, Garth Greenham, Chief Operating Officer of the Company subscribed for 458,000 common shares of the Company at a price of $0.25 per share for gross proceeds of $114,500.

Included in accounts payable and accrued liabilities is $144,224 (2014:- $222,068) due to Cawkell Brodie LLP, a Company controlled by a director.

Due to a related party in the amount of $352,403 (2014 - $148,403) and promissory note payable of $136,328 (2014 - $130,312) is due to Gerri Greenham, President of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.

The Company's cash is held with high-credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and grant subsidy from the ACOA.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at July 31, 2015, the Company had cash of $3 and is insufficient to settle current liabilities of $1,030,493, which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The Company has cash and has a fixed interest rate bearing promissory note payable as a debt instrument. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses in United States by using the US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at July 31, 2015.

Subsequent event

Subsequent to the year ended July 31, 2015, the Company closed a non-brokered private placement of 400,000 Units at a price of $0.25 per unit for gross proceeds of $100,000. Each unit consists of one common share and one warrant. Each warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

Outstanding Share Data

The following table summarizes the Company's outstanding share data as at November 26, 2015:

	Number of shares Issued or issuable
Common shares issued	21,078,516
Options	890,000
Common shares issuable under Milestone Agreements	500,000
Warrants	3,519,473

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework that has been used is the COSO framework. There were no changes in the Company's ICFR that occurred during the year that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Additional Information

Additional information related to the Company is available for view on SEDAR at www.sedar.com and at the Company's website at www.solarvest.ca.

Business Risks

As at July 31, 2015, the principal business of the Company is the development of its algal-based production system to produce natural based 'green' commercial products. There are a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include successfully completing the Company's research and development programs including product development, scale up and product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Regulatory risks include the possible delays in getting the required regulatory approvals to the products the Company produces, and includes increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet.

In addition to the risks mentioned above, there are additional risks associated with the biotechnology sector and the operation of the business as follows:

- The ongoing development of the Company's business will require significant financial resources, and there is no assurance that future revenues, if any, will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its research and development efforts, forego certain business opportunities or discontinue its business.

- The Company will require additional financing and there is no assurance that the Company will be able to obtain additional financing on reasonable terms or at all. The only sources of future funds presently available to the Company are debt financing, the sale of equity capital or the offering by the Company of an interest in its business. There is no assurance that any such funds will be available for operations. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations. The sale of equity capital could result in a substantial dilution of the equity interests of the Company's shareholders.

- The Company has no history of earnings and there can be no assurance that the Company will be profitable.

- The biotechnology industry involves a substantial degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to overcome. Shareholders of the Company must rely on the ability, expertise, judgment, direction and integrity of the management of the Company. The success of the Company is currently largely dependent on the performance of its directors, officers and consultants. The loss of the services of any of these persons could have a material adverse effect on the Company's business and prospects. There is no assurance the Company will be able to maintain the services of its directors, officers or other qualified personnel required to operate its business.

- There are inherent risks associated with the production of products proposed to be marketed by the Company. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

- The Company's success will depend in significant part on its ability to obtain patent protection for its technology in the United States and in other countries, and to enforce these patents. There can be no assurance that any of patent claims contained in the Company's non-provisional and provisional patent applications for its technology will result in the issue of patents or that any such patent claims will be valid and enforceable against third-party claims of infringement, or that the Company's products will not infringe any third-party patent or intellectual property. Moreover, any patent claims relating to the technology may not be sufficiently broad to protect the Company's products. In addition, issued patent claims may be challenged, invalidated or circumvented. The Company's patent claims may not afford it protection against competitors with similar technology or permit the commercialization of its products without infringing third-party patents or other intellectual property rights.

- The Company's success also depends on it not infringing patents issued to competitors or others. The Company may become aware of patents and patent applications belonging to competitors and others that could require it to alter its technologies. Such alterations could be time consuming and costly. The Company may not be able to obtain a license to technology owned by or licensed to a third party that it requires in order to manufacture or market one or more products.

- Valid claims for patent infringement may also be prohibitively expensive to prosecute. Conversely, a frivolous claim filed against the Company may be financially impossible to defend.

- The future operations of the Company may require permits from various federal, state, provincial and local governmental authorities. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required to carry on the Company's business.

- The biotechnology industry is intensely competitive in all its phases. The Company will compete for contracts for the sale of its products, as well as for the recruitment and retention of qualified employees with other companies, which may possess greater financial resources and technical facilities than the Company. That competition could have an adverse effect on the Company's ability to profitably carry on its business in the future.

- If additional financing is raised by the issuance of shares from the treasury of the Company, shareholders may suffer additional dilution.

- For the foreseeable future, the Company is expected to follow a policy of retaining earnings, if any, in order to finance further development and expansion. The payment of dividends is within the discretion of the board of directors of the Company and will depend on the earnings, if any, financial requirements and the operating and financial condition of the Company, among other factors.

- Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest.

- As the shares of the Company will be listed on the Exchange, factors such as announcements of periodic variations in operating results, or new actions by competitors of the Company, as well as market conditions in the biotech industry, may have a significant impact on the market price of the shares of the Company. In addition, the world stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. In addition, there can be no assurance that an active public market will develop or be sustained for the shares of the Company. The market price of the shares of the Company could be subject to significant fluctuations in response to operating results of the Company, changes in financial estimates by securities analysts or other events or factors, many of which will be beyond the Company's control.

- The Company maintains its accounts in Canadian currency. The Company may incur expenses in foreign currencies, and as a consequence may be subject to foreign currency fluctuations. Such fluctuations may materially affect its financial position and results. The Company does not, and the Company is not expected to, engage in currency hedging activities.

Outlook

The Company's primary focus for the foreseeable future will be on the procurement of production for the commercialization of its high omega 3 algae products and should funds allow, maintaining its research and development activities.

Solarvest BioEnergy Inc.

Consolidated Financial Statements
July 31, 2015

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

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November 17, 2015

Independent Auditor's Report

To the shareholders of
Solarvest BioEnergy Inc.

We have audited the accompanying consolidated financial statements of **Solarvest BioEnergy Inc.**, which comprise the consolidated statement of financial position as at July 31, 2015, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended July 31, 2015 and July 31, 2014, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Solarvest BioEnergy Inc.** as at July 31, 2015 and July 31, 2014, and the results of its operations and its cash flows for the years ended July 31, 2015 and July 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to the fact that the financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends on the success of research and development and the availability of funding to continue the Company's research and development project. The financial statements do not include any adjustments that would arise from a failure to achieve these results. Details of the circumstances relating to this fundamental uncertainty are described in note 1 of the financial statements.

ArsenaultBestCameronEllis

Chartered Accountants

Solarvest BioEnergy Inc.

Consolidated Statement of Financial Position
(expressed in Canadian dollars)
As at July 31, 2015

	2015 $	2014 $
Assets		
Current assets		
Cash and cash equivalents	3	148,495
Accounts receivable	25,676	93,331
Prepaid expenses	3,851	15,588
	29,530	257,414
Property and equipment (note 5)	699,164	811,817
Intellectual property (note 6)	350,237	272,042
	1,078,931	1,341,273
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	527,362	398,228
Due to related party (note 15)	352,403	148,403
Promissory note payable (notes 7 and 15)	136,328	130,312
Current portion of long-term debt	14,400	16,450
	1,030,493	693,393
Long-term debt, less current portion (note 8)	126,000	69,577
	1,156,493	762,970
Deficit Less Capital Stock		
Share capital (note 9)	4,296,544	3,542,127
Contributed surplus (note 10)	196,203	128,353
Warrants (note 11)	158,973	153,317
Deficit	(4,729,282)	(3,245,494)
	(77,562)	578,303
	1,078,931	1,341,273

Approved by the Board of Directors

"Gerri Greenham" Director *"Kenneth A. Cawkell"* Director

Solarvest BioEnergy Inc.
Consolidated Statement of Comprehensive Loss
(expressed in Canadian dollars)
For the year ended July 31, 2015

	2015 $	2014 $
Expenses		
Insurance	23,224	24,833
Interest expense (note 15)	5,942	6,685
License fees	6,271	10,209
Office and general	40,481	41,790
Professional fees (note 15)	212,668	185,473
Registration and filing fees	18,034	16,675
Rent and utilities	91,667	83,351
Research and development (note 17)	1,023,926	922,272
Shareholder costs	6,301	5,684
Transfer agent	7,205	7,792
Travel	24,337	23,927
Foreign exchange loss	4,069	18,800
Stock-based compensation	3,508	-
Amortization of intellectual property	24,448	19,317
Amortization of property and equipment	197,359	187,378
	1,689,440	1,554,186
Operating loss	(1,689,440)	(1,554,186)
Other income		
Recovery of research and development expenses	205,652	603,012
Net loss for the year	(1,483,788)	(951,174)
Basic and diluted loss per share (note 12)	(0.08)	(0.06)

Solarvest BioEnergy Inc.

Consolidated Statement of Changes in Equity
(expressed in Canadian dollars)
For the year ended July 31, 2015

	Share Capital		Contributed Surplus: Equity settled employee benefits			
	Number of shares	Amount $	$	Warrants $	Deficit $	Total $
Balance - July 31, 2013	13,286,137	2,595,719	128,353	-	(2,294,320)	429,752
Private placement - net of costs (note 9)	4,206,665	946,408	-	-	-	946,408
Warrants	-	-	-	153,317	-	153,317
Total comprehensive loss for the year	-	-	-	-	(951,174)	(951,174)
Balance - July 31, 2014	17,492,802	3,542,127	128,353	153,317	(3,245,494)	578,303
Private placement - net of costs (note 9)	2,700,000	584,417	-	-	-	584,417
Debt settlement (note 9)	285,714	100,000	-	-	-	100,000
Intellectual property (note 9)	200,000	70,000	-	-	-	70,000
Warrants (note 11)	-	-	-	69,998	-	69,998
Fair value of warrants expired	-	-	64,342	(64,342)	-	-
Stock-based compensation (note 10)	-	-	3,508	-	-	3,508
Comprehensive loss for the year	-	-	-	-	(1,483,788)	(1,483,788)
Balance - July 31, 2015	20,678,516	4,296,544	196,203	158,973	(4,729,282)	(77,562)

Solarvest BioEnergy Inc.
Consolidated Statement of Cash Flows
(expressed in Canadian dollars)
For the year ended July 31, 2015

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(1,483,788)	(951,174)
Items not affecting cash		
Amortization of intellectual property	24,448	19,317
Amortization of property and equipment	197,359	187,378
Shares for debt settlement	100,000	-
Assumption of debt for patent acquisition	(32,643)	-
Stock-based compensation	3,508	-
	(1,191,116)	(744,479)
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	67,655	(1,438)
Decrease (increase) in prepaid expenses	11,737	(5,008)
Increase (decrease) in accounts payable and accrued liabilities	129,134	(58,830)
Increase in due to related party	204,000	25,000
	(778,590)	(784,755)
Financing activities		
Increase in long-term debt	57,973	-
Proceeds from issuance of capital stock	654,415	1,099,725
Repayment of long-term debt	(3,600)	(9,462)
Increase in promissory note payable	6,016	6,016
	714,804	1,096,279
Investing activities		
Purchase of equipment	(42,733)	(78,653)
Purchase of leasehold improvements	(41,973)	(152,754)
	(84,706)	(231,407)
Increase (decrease) in cash and cash equivalents	(148,492)	80,117
Cash and cash equivalents - Beginning of year	148,495	68,378
Cash and cash equivalents - End of year	3	148,495
Non-cash transactions		
Shares issued for Kohilo's patent rights	70,000	-
Assumption of debt for Kohilo's patent rights	32,643	-
Shares for debt settlement	100,000	-

1 Nature of operations and continuance of operations

The Company was incorporated under the Business Corporations Act (BC) on November 9, 2005. The principal business of the Company is the development of its algal-based production systems to produce natural based "green" commercial projects. The address of the Company's registered office is 439 Helmcken Street, Vancouver B.C. V6B 2E6. To date the Company has not earned significant revenues and is considered to be in the development stage.

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Phycobiologics (Europe) Limited ("Phyco Europe"), Phyco Hydrogen Inc. ("PHI"), and Solarvest (P.E.I.) Inc. ("PEI"). All significant inter company accounts and transactions have been eliminated upon consolidation.

The Company has financed its activities to date through the issuance of common shares and continues to seek capital through various means including the issuance of equity and/or debt.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has had net losses for the past two years, has a working capital deficiency and a deficit, as follows:

	2015 **$**	**2014** **$**
Working capital (deficiency)	(1,000,963)	(435,979)
Deficit	(4,729,282)	(3,245,494)

The continuing operations of the Company are dependent upon its ability to continue to secure adequate financing and to commence profitable operations in the future:

2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been approved by the Board of Directors on November 17, 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting.

(c) Functional currency

These consolidated financial statements are presented in Canadian dollars, which is the company's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

3 Summary of significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are initially recorded by the Company using the exchange rates prevailing at the date of the transaction. At the financial reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the period end rates of exchange. Non monetary assets and liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items are in the Statement of Comprehensive Loss.

(b) Financial instruments

The Company classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the instrument was acquired. The Company's accounting policy for each category is as follows:

Financial assets

Loans and receivables - These are financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost initially and subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

All financial assets are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

Other financial liabilities - This category includes all financial liabilities which are recognized at amortized cost.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of twelve months or less.

(d) Property and equipment

Property and equipment is recorded at cost less accumulated amortization. Bases of amortization are as follows:

Equipment	20% declining balance
Computer	3 years, straight line
Leasehold improvement	5 years, straight line
Intellectual property	20 years, straight line

Amortization is calculated at one-half of the normal rate of amortization in the year of acquisition; no amortization is recorded in the year of disposal.

(e) Intellectual property

Intellectual property is recorded at cost less accumulated amortization. The intellectual property is being amortized over 20 years on a straight-line basis.

(f) Government assistance

The Company incurs research and development expenditures which are eligible for government grants. Government grants are recorded as a recovery of research and development expenses when the amounts are expected to be recovered based on the signed funding agreements.

(g) Research and development expenses

Research and development expenditures are expensed in the period in which they are incurred, unless a development project meets the criteria under IFRS for deferral and amortization. The Company has not deferred any such development expenditures to date.

(h) Income taxes

Income tax on the profit or loss for the periods presented is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is calculated using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

(i) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(j) Share based payment transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(k) Related parties

A related party is a person or an entity that is related to the Company.

A person or a close member of that person's family is related to the Company if that person:

i) Has control or joint control over the Company, with the power to govern the Company's financial and operating policies;

ii) Has significant influence over the Company, participating in financial and operating policy decisions, but not control over these policies; or

iii) Is a member of the key management personnel of the Company. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

(l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the July 31, 2015 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

4 Critical accounting estimates and judgments

The preparation of the Company's consolidated financial statements requires management to make judgments, 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 revenues and expenses during the reporting period.

(a) Significant judgments

The significant judgments attributed to the Company's are:

(i) Going Concern

The Company reviews its operations periodically to ensure that it has the potential to be an economic viable entity.

(ii) Impairment and valuation of intellectual property

In making this judgment, Company evaluates, among other factors, market capitalization in addition to the milestone progress in its research and development program.

(b) Significant estimates

Reported amounts and note disclosures reflect the overall economic conditions that management estimates are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates. Estimates and assumptions are reviewed quarterly. All revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements relate to:

(i) Impairment of property and equipment and intellectual property

Whether an asset is impaired requires management to determine whether there is an indication of impairment based on the consideration of external and internal indicators. If an indication of impairment exists, management must determine if the carrying value of the asset exceeds its recoverable amount. The estimation of future cash flows requires assumptions to be made by management. Therefore, the determination of a recoverable amount requires estimates which may affect the amount of an impairment loss, if any.

(ii) Valuation of share-based compensation and warrants

Management measures the costs for share-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviours and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of the share-based payments and warrants.

The Company reviewed its previous assumptions and concluded that no changes were required.

5 Property and equipment

	Equipment $	Computer $	Leasehold improvements $	Total $
Cost				
Balance - July 31, 2014	833,275	17,450	476,550	1,327,275
Additions	41,307	1,426	41,973	84,706
Balance - July 31, 2015	874,582	18,876	518,523	1,411,981
Accumulated amortization				
Balance - July 31, 2014	375,610	10,871	128,977	515,458
Current year amortization	95,663	2,188	99,508	197,359
Balance - July 31, 2015	471,273	13,059	228,485	712,817
Carrying value				
July 31, 2015	403,309	5,817	290,038	699,164
July 31, 2014	457,665	6,579	347,573	811,817

6 Intellectual property

The Intellectual property consists of the acquisition costs of worldwide exclusive rights, subject to limited exceptions, to an Inducible Chloroplast Gene Expression System, through the acquisition of the shares of Psyco Europe, the issuance of Class B common shares of PHI, the subsequent repurchase of the Class B common shares of PHI and patent acquisition costs. Component costs have been summarized below:

	2015	**2014**
	$	**$**
Acquisition of shares of Phyco Europe	146,886	146,886
Issuance of Class B common shares of PHI	10	10
Acquired pursuant to acquisition of shares of PHI	144,426	144,426
Patent acquisition costs	95,011	95,011
Kohilo patent acquisition costs	102,643	-
	488,976	386,333
Accumulated amortization	138,739	114,291
	350,237	272,042

7 Promissory note payable

The Company received $100,000 by issuing a promissory note to a director of the Company. The promissory note was issued on July 15, 2009 bearing an interest rate of 6% compounded annually, and is due on demand. Interest of $36,328 has been accrued to July 31, 2015.

8 Long-term debt

	2015 $	2014 $
0% ACOA loan, due April 1, 2025, repayable in monthly instalments of $1,200	140,400	86,027
Less: Current portion	14,400	16,450
	126,000	69,577

On January 23, 2013, the Company entered into an agreement with Atlantic Canada Opportunities Agency (ACOA) whereby ACOA agreed to loan 50% of the value of eligible capital assets incurred on the newly leased premises estimated to be $789,000. On March 25, 2015, the loan agreement was amended under same terms and conditions except that the monthly repayment amount is changed to $1,200 per month commencing May 1, 2015. This loan is unsecured.

The aggregate amount of principal payments estimated to be required in each of the next five years to meet retirement provisions is as follows:

	$
Year ending July 31, 2016	14,400
2017	14,400
2018	14,400
2019	14,400
2020	14,400

9 Capital stock

Authorized share capital

At July 31, 2015, the authorized share capital consisted of unlimited number of common shares and the issued share capital amounted to $4,296,544. The common shares do not have a par value. All issued shares are fully paid.

Fiscal year ending July 31, 2014

On September 3, 2013, the Company closed a non-brokered private placement through the issuance of 400,000 common shares at a price of $0.25 per share for gross proceeds of $100,000. The non-brokered private placement was subscribed by Gerri Greenham (a Control Person of the Company).

On October 3, 2013, the Company closed a non-brokered private placement of 1,700,000 Units at a price of $0.25 per unit for gross proceeds of $425,000. Each unit consists of one common share and one-half warrant. Each whole warrants is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.60 per share. In connection with the private placement, the Company paid finders' fees of $25,000 and issued 50,000 non-transferable finder's warrants. Each finder's warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.60 per share. Gerri Greenham (a Control Person of the Company) subscribed for a total of 200,000 of the 1,700,000 Units.

On January 22, 2014, the Company closed a non-brokered private placement through the issuance of 300,000 common shares at a price of $0.30 per share for gross proceeds of $90,000. The non-brokered private placement was subscribed by Gerri Greenham (a Control Person of the Company).

On April 9, 2014, the Company closed a non-brokered private placement of 1,506,665 Units at a price of $0.30 per unit for gross proceeds of $452,000. Each unit consists of one common share and one-half warrant. Each whole warrants is exercisable at $0.40 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.60 per share. In connection with the private placement, the Company paid finders' fees of $15,470 and issued 44,200 non-transferable finder's warrants. Each finder's warrant is exercisable at $0.50 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.60 per share. Gerri Greenham (a Control Person of the Company) subscribed for a total of 200,000 of the 1,506,665 Units.

On July 7, 2014, the Company closed a non-brokered private placement though the issuance of 300,000 common shares at a price of $0.30 per share for gross proceeds of $90,000. The non-brokered private placement was subscribed by Gerri Greenham (a Control Person of the Company).

Fiscal year ended July 31, 2015

Shares issued for intellectual property
On August 6, 2014, the Company entered into an agreement to purchase worldwide rights to certain patents and patent applications from Kohilo Bio Inc. ("Kohilo"). Pursuant to the purchase agreement, the total purchase price of $102,643 was satisfied through the issuance of 200,000 common shares of the Company at a deemed price of $0.35 per share and the assumption of $32,643 of Kohilo's debt.

Private placements
On October 15, 2014, the Company closed a non-brokered private placement of 2,000,000 Units at a price of $0.25 per share for gross proceeds of $500,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share. In connection with the private placement, the Company paid finders' fees of $15,750 and issued 63,000 non-transferable finder's warrants. Each finder's warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share. Gerri Greenham (a Control Person of the Company) subscribed for a total of 500,000 of the 2,000,000 Units.

On April 28, 2015, the Company closed a non-brokered private placement of 242,000 Units at a price of $0.25 per share for gross proceeds of $60,500. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share. In connection with the private placement, the Company paid finders' fees of $4,235 and issued 16,940 non-transferable finder's warrants. Each finder's warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

On May 25, 2015, the Company closed a non-brokered private placement though the issuance of 458,000 common shares at a price of $0.25 per share for gross proceeds of $114,500. The non-brokered private placement was subscribed by Garth Greenham (an officer of the Company).

Shares for debt settlement
On January 19, 2015, the Company issued 285,714 common shares at a deemed price of $0.35 per share aggregating $100,000 as a settlement of debt to a related party with respect to legal services performed in fiscal years ending July 31, 2009 and 2010.

Other Commitments to Issue Shares

As at July 31, 2015, the Company was obligated to issue up to a total of 500,000 shares pursuant to the project having reached a level in research whereby hydrogen production can be brought to viable commercial production through a method of controlling key genes in algae which will result in continuous production of hydrogen.

10 Share options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statement of comprehensive loss and and a corresponding increase to contributed surplus using the Black Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following table reflects the actual share options issued and outstanding as at July 31, 2015.

No. of options Outstanding and Exercisable	Average Exercise Price $	Expiry Date
600,000	0.25	January 28, 2016
70,000	0.25	June 24, 2016
75,000	0.40	August 1, 2016
745,000	0.27	

On November 1, 2014, the Company granted 300,000 stock options to a consultant at an exercise price of $0.40 per share with an expiry date of 18 months from the date of the grant. The stock options granted is vested quarterly over a one year period at a rate of 75,000 stock options per quarter commencing February 1, 2015. The value attributed to the 75,000 stock options vested is estimated at $3,508 using the Black-Scholes model of option pricing. The assumptions used were: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 68% and an expected life of 1.5 years.

11 Warrants

As explained in note 9, in connection with the private placement on April 9, 2014, the Company issued 753,333 warrants to subscribers and 44,200 finder's warrants. These warrants expire on October 9, 2015 and have a fair value of $88,975 assigned to the warrants estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.12%; dividend yield - 0%; expected stock volatility - 72% and an expected life of 1.5 years.

As explained in note 9, in connection with the private placement on October 15, 2014, the Company issued 2,000,000 warrants to subscribers and 63,000 finder's warrants. These warrants expire on March 15, 2017 and have a fair value of $54,167 assigned to the warrants estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 57.61% and an expected life of 1.5 years.

As explained in note 9, in connection with the private placement on April 28, 2015, the Company issued 242,000 warrants to subscribers and 16,940 finder's warrants. These warrants expire on July 28, 2016 and have a fair value of $15,831 assigned to the warrants estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 64.18% and an expected life of 1.5 years.

The warrants outstanding as at July 31, 2015 is summarized below:

No. of warrants Outstanding and Exercisable	Exercise Price $	Expiry Date
797,533	0.40	October 9, 2015
2,063,000	0.35	April 15, 2016
258,940	0.35	October 29, 2016
3,119,473		

12 Loss per share

Basic and diluted loss per share

The calculations of basic and diluted loss per share for the year ended were based on the following losses attributable to common shareholders and weighted average number of common shares outstanding:

Basic loss per share

	2015 **$**	**2014** **$**
Net loss for the year	(1,483,788)	(951,174)
Weighted average number of common shares outstanding for the period	19,419,969	15,771,692
Loss per share	(0.08)	(0.06)

Diluted loss per share

	2015 **$**	**2014** **$**
Net loss for the year	(1,483,788)	(951,174)
Weighted average number of common shares (diluted) for the period	20,164,969	16,411,692
Loss per share	(0.07)	(0.06)

Diluted loss per share does not include the effect of the warrants outstanding, as they are antidilutive.

13 Income taxes

(a) The company recognized no income taxes in the consolidated statement of comprehensive loss as it has been incurring losses since inception.

(b) The significant components of the Company's future income tax assets are as follows:

	2015 **$**	**2014** **$**
Future income tax assets		
Non-capital loss carry forward	4,045,937	2,608,400
Share issuance costs and other assets	146,615	146,615
	4,192,552	2,755,015
Valuation allowance	(4,192,552)	(2,755,015)
Net future income tax assets	-	-

The Company has available for deduction against future taxable income non-capital losses of $4,045,937. These losses, if not utilized will expire through to 2035. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

14 Financial instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.

The Company's cash is held with high credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and funding receivables from ACOA, a governmental agency.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at July 31, 2015, the Company had cash of $3 and is insufficient to settle current liabilities of $527,362, which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

i) Interest rate risk

The company has cash and has a fixed interest rate bearing promissory note payable as a debt instrument. The Company's current policy is to invest excess cash in investment grade short term certificates of deposit issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Foreign exchange rate risks

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative activities in United States by using US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Sensitivity analysis

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

15 Related party transactions

The Company entered into the following transactions with related parties during the year ended July 31, 2014.

(a) Received advances of $204,000 (2014 - $27,383) from a director of the Company.
(b) Accrued interest of $6,016 (2014 - $6,016) due on the promissory note held by a director of the Company.
(c) Incurred and accrued $38,035 (2014 - $41,155) of legal fees to a legal firm where a principal is a director of the Company.
(d) During the year ended July 31, 2015, a director of the Company subscribed for 1,200,000 units (2014 - 1,000,000 common shares and 400,000 units) of the Company in connection with the private placements for proceeds of $300,000 (2014 - $390,000).
(e) During the year ended July 31, 2015 the Company paid $24,000 to the CFO for accounting services (2014 - $24,000).
(f) On August 6, 2014, the Company purchased the worldwide rights to certain patents and patent applications from Kohilo Bio Inc. ("Kohilo"). The total purchase price of $102,643 was satisfied through the issuance of 200,000 common shares of the Company at a deemed price of $0.35 per share and the assumption of $32,643 of Kohilo's debt. Kohilo is a company controlled by Garth Greenham, Chief Operating Officer of the Company and Mike Horne, a director of Phyco Europe.
(g) On January 19, 2015, the Company issued 285,714 common shares at a deemed price of $0.35 per share aggregating $100,000 as a settlement of debt to Cambro Holdings Ltd. (a private holding company for the partners of Cawkell Brodie LLP) with respect to legal services performed in fiscal years ended July 31, 2009 and 2010.
(h) On May 28, 2015, Garth Greenham, Chief Operating Officer of the company, subscribed for 458,000 common shares at a price of $0.25 per share.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Included in accounts payable and accrued liabilities is $144,224 (2014 - $222,068) due to a Company controlled by a director.

Due to a related party in the amount of $352,403 (2014 - $148,403) and promissory note payable in the amount of $136,328 (2014 - $130,312) is due to Gerri Greenham (a Control Person of the Company).

16 Capital management

The objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders, benefits to other stakeholders and to have sufficient funds on hand to ensure the Company's on going growth of the business.

The Company considers the promissory note payable and the items in the shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares through private placements, sell assets, incur debts, or return capital to shareholders. As of July 31, 2015, the Company has an unsecured promissory note payable (see note 7) and is not subject to externally imposed capital requirements.

17 Research and development and Contingent liabilities

Atlantic Innovation Fund

The Company signed an agreement with the Atlantic Canada Opportunities Agency (ACOA) whereby, subject to certain conditions, the Company may be eligible to receive approximately $1.9 million in funding under the Atlantic Innovation Fund for the purpose of implementing a $3.3 million research and development project to develop dietary oils from the aquaculture industry using algae. Under the terms of the funding agreement, the project will be conducted in Prince Edward Island and Nova Scotia, and the Company will be expected to finance, through debt or equity, the balance of the project costs estimated at approximately $1.4 million over the four year life of the project. Work on the project has begun and costs incurred to date will be eligible for support under the program.

As at July 31, 2015, the Company has substantially received all of the allocated funding from ACOA. Under terms of the agreement, these funds are contingently repayable on a royalty basis of 5% of gross revenue from the above project beginning March 31, 2015.

Business Development Program

The Government of Canada through its ACOA Business Development Program extended additional funding to the Company aggregating approximately $378,000 to assist the Company further its research program in pursuing an alternative new source of renewable energy by generating hydrogen through algae production. The Company’s share of cost for the research program is $235,000.

As at July 31, 2015, the Company has substantially received all of the allocated funding from ACOA. Under the terms of the agreement, these funds are contingently repayable on a royalty basis of 2.5% of gross revenue from the above project beginning March 31, 2015.

18 Commitments

The future minimum rental lease payments for the next four years under an operating lease expiring in December 31, 2018 is as follows:

	$
Year ending July 31, 2016	54,000
2017	54,000
2018	54,000
2019	22,500

19 Subsequent event

On November 17, 2015, the Company closed a non-brokered private placement of 400,000 Units at a price of $0.25 per unit for gross proceeds of $100,000. Each unit consists of one common share and one warrant. Each whole warrant is exercisable at $0.35 per share for a period of 18 months from date of issuance and include an acceleration clause that is triggered by a share price of $0.55 per share.

20 Financial statement presentation

Certain amounts in the prior year have been reclassified to confirm to current year's presentation.