Consolidated Financial Statements

Calyx Bio-Ventures Inc.

December 31, 2013 and 2012

[Expressed in Canadian dollars]

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calyx Bio-Ventures Inc.

We have audited the accompanying consolidated financial statements of Calyx Bio-Ventures Inc., which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of net loss, comprehensive loss and deficit, change in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence that we have obtained 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 Calyx Bio-Ventures Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Calyx Bio-Ventures Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2013.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 30, 2014

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[See Note 1 - Nature of Business and Basis of Presentation]
[Expressed in Canadian Dollars]

	Notes	As at December 31 2013 $	2012 $
ASSETS			
Current			
Cash and cash equivalents		497,540	313,808
Accounts and other amounts receivable		48,192	70,424
Prepaid expenses and deposits		91,060	154,087
Total current assets		636,792	538,319
Investment in associate	5	-	2,072,051
Total assets		636,792	2,610,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		162,671	199,815
Total current liabilities		162,671	199,815
Commitments and contingencies	8		
Shareholders' equity			
Share capital	6(a)	6,462,163	5,818,757
Warrants	6(b)	1,318,613	735,220
Contributed surplus	6(c)	882,931	372,163
Deficit		(8,189,586)	(4,515,585)
Total shareholders' equity		474,121	2,410,555
Total liabilities and shareholders' equity		636,792	2,610,370
Subsequent events	12		

See accompanying notes

On behalf of the Board:

Director	Director
"Hugh Notman"	*"Don Konantz"*

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT

[Expressed in Canadian Dollars]

	Notes	Years ended December 31 2013 $	2012 $
LICENSING REVENUE	7	-	112,500
EXPENSES			
General and administrative		1,027,602	375,238
Income (loss) before the undernoted		(1,027,602)	(262,738)
OTHER INCOME (EXPENSES)			
Share-based compensation	6(d)	(437,370)	(149,250)
Interest income	5(d)	-	452,561
Foreign exchange gain/(loss)		(3,641)	(387)
Total other income (expenses)		(441,011)	302,924
Equity loss from interest in associate	5(b)	(1,909,713)	(1,783,830)
Impairment loss in investment in associate	5(f)	(162,338)	-
Net loss and comprehensive loss for the year		(3,540,664)	(1,743,644)
Basic and diluted loss per common share		(0.11)	(0.10)
Weighted average number of common shares outstanding - basic and diluted		33,328,509	16,751,818

See accompanying notes

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

[Expressed in Canadian Dollars]

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	$	$	$	$	$
Balance, December 31, 2012	5,818,757	735,220	372,163	(4,515,585)	2,410,555
Comprehensive loss	-	-	-	(3,540,664)	(3,540,664)
Warrant revaluation	-	133,337	-	(133,337)	-
Warrants expired	-	(82,960)	82,960	-	-
Issue units-private placement	696,333	609,626	-	-	1,305,959
Unit issue costs	(96,638)	(76,610)	-	-	(173,248)
Issue shares-options exercised	43,711	-	(9,562)	-	34,149
Share-based compensation	-	-	437,370	-	437,370
Balance, December 31, 2013	6,462,163	1,318,613	882,931	(8,189,586)	474,121
Balance, December 31, 2011	2,642,845	-	222,913	(2,771,941)	93,817
Comprehensive income	-	-	-	(1,743,644)	(1,743,644)
Issue units-private placement	3,637,427	829,045	-	-	4,466,472
Unit issue costs	(461,515)	(93,825)	-	-	(555,340)
Share-based compensation	-	-	149,250	-	149,250
Balance, December 31, 2012	5,818,757	735,220	372,163	(4,515,585)	2,410,555

See accompanying notes

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian Dollars]

	Years ended December 31	
	2013	2012
	$	$
OPERATING ACTIVITIES		
Net loss for the year	(3,540,664)	(1,743,644)
Add (deduct) items not involving cash:		
Interest income recognized on note conversion	-	(452,561)
Share-based compensation	437,370	149,250
Equity loss from interest in associate	1,909,713	1,783,830
Impairment loss in investment in associate	162,338	-
	2,509,421	1,480,519
Changes in working capital items relating to operations:		
Accounts and other amounts receivable	22,232	(45,322)
Prepaid expenses, other assets and deposits	63,027	(147,987)
Accounts payable and accrued liabilities	(37,144)	80,799
	48,115	(112,510)
Cash used in operating activities	(983,128)	(375,635)
FINANCING ACTIVITIES		
Issuance of common shares-options exercised	34,149	225,500
Issuance of units	1,268,000	4,277,599
Cost of issuance	(135,289)	(366,467)
Cash provided by financing activities	1,166,860	4,136,632
INVESTING ACTIVITIES		
Investment in associate	-	(3,828,320)
Cash used in investing activities	-	(3,828,320)
Increase (decrease) in cash for the year	183,732	(67,323)
Cash, beginning of year	313,808	381,131
Cash, end of year	497,540	313,808

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian Dollars]

December 31, 2013 and 2012

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

These consolidated financial statements reflect the consolidated financial position, statements of net loss, comprehensive loss and deficit and cash flows of Calyx Bio-Ventures Inc. ("Calyx") and its wholly owned subsidiaries (collectively, "the Company"). These consolidated financial statements were authorized for issue in accordance with a resolution of the directors on April 29, 2014.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern which assumes that the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. Loss incurred for the year ended December 31, 2013 amounted to $3,540,664 and the cumulative deficit at December 31, 2013 was $8,189,586. The ability of the Company to continue as a going concern is dependent upon obtaining ongoing financing and there can be no assurance that the Company will be able to raise any capital through any type of offering or similar financial arrangement. This may cast significant doubt upon the entity's ability to continue as a going concern.

The Company currently has cash, the REM technology, rights to use the ACE System for gene therapy and transgenics (an exclusive technology license) and its investment in Agrisoma Biosciences Inc ("Agrisoma").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements include the accounts of Calyx and its wholly owned subsidiaries, all of which are inactive. Intercompany transactions and accounts have been eliminated on consolidation.

Critical judgments in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Going concern

As described in Note 1, these consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern.

Investment in Associate

As described in Note 5, management has assessed that the Company does not have control over Agrisoma and the investment has been accounted for using equity accounting.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment in future periods. The key assumption concerning the future and other key sources of estimation, uncertain at the reporting date that have a significant risk of causing a material adjustment is described below.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Warrant transactions
The Company values common share purchase warrants issued as part of private placement units and as non-cash compensation fees to brokers or finders for private placements at the fair value at the time of issuance. Estimating fair value for warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the warrant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

Foreign currency translation
The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated using historical exchange rates. Revenue and expense items are translated at the average exchange rate during the year. Exchange gains and losses are included in the determination of net loss for the year.

Cash equivalents
The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of the instruments, which is recorded at cost plus accrued interest, approximates fair value. There are no cash equivalent balances at either December 31, 2013 or December 31, 2012.

Interest in associate
The Company accounts for its investment in associates using the equity method of accounting. Under the equity method, the investment is carried in the statements of financial position at cost and is adjusted for the Company's share of the associate's profit or loss subsequent to the investment. Losses are recorded until the carrying amount is reduced to $ Nil; losses beyond this point are not recognized until the Company makes additional investment in the associate or positive earnings are achieved by the associate and the Company's share of profits equals its share of losses not previously recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred obligations to provide funding to the associate. Details of the interest in associates are disclosed in Note 5.

Income taxes
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in associates, where deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Revenue recognition
The Company records revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed and determinable and (iv) collectability is reasonably assured. Licensing revenue, in the form of non-refundable upfront payments and annual maintenance fees, is recognized at the date the license is granted, or the maintenance fee is due, unless there are specific events which must be completed under the terms of the licensing agreement, in which case, a portion of the revenue is recognized upon completion of each specific event.

Loss per common share
Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year excluding contingently issuable shares, if any. Since the Company's stock options are anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

Share-based compensation and other share-based payments
The Company records all share-based compensation awards to the Company's officers, directors and employees at fair value of the awards at the date they are granted. The Company records all share-based compensation awards to the Company's non-employees at fair value of the awards at measurement date. Graded vesting awards are accounted for as though each installment is a separate award. The fair value of stock options is determined using the Black-Sholes option pricing model. The estimate of fair value requires the determination of the most appropriate inputs to the model including the expected life of the award and volatility and making assumptions about them. The assumptions used for estimating fair value of share-based compensation awards are disclosed in Note 6. The fair value of stock options that vest in the year is recorded as an expense.

Common share purchase warrants
As part of financing, the Company may issue common share purchase warrants as part of units offered for sale and as compensation to brokers for placement of securities. The fair value of warrants is determined using the Black-Sholes option pricing model. The estimate of fair value requires the determination of the most appropriate inputs to the model including the expected life of the warrants and volatility and making assumptions about them. The assumptions used for estimating fair value of warrants are disclosed in Note 6.

3. CHANGES IN ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

IAS 32 – Offsetting Financial Assets and Liabilities: effective January 1, 2014
This is an amendment to IAS 32 to clarify certain requirements for offsetting financial assets and liabilities as well as the meaning and application of the concepts of legally enforceable right of set-off and simultaneous realization and settlement.

IFRIC 21 – Levies: effective January 1, 2014
FRIC 21 addresses the recognition requirements for a liability, other than income tax, to pay a levy imposed by a government. The interpretation requires liability recognition when an event, identified by legislation, triggers an obligation to pay.

IFRS 9 - Financial Instruments: effective January 1, 2015
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. The proposed effective date of IFRS 9 is January 1, 2018.

The Company has not early adopted this standard and is currently assessing the impact that this standard will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. FINANCIAL INSTRUMENTS

Recognition and Measurement

The Company has made the following classifications for its financial instruments, each of which is fair valued at Level 1 inputs – quoted market prices in active markets for identical assets:

a) Cash and cash equivalents are classified as held-for-trading and are measured at fair value at the end of each period with any resulting gains or losses recognized as net gains or losses in the consolidated statements of net loss.
b) Accounts receivable, other amounts receivables and share subscriptions receivable are initially measured at fair value and subsequently at amortized cost. At December 31, 2013 the balance in accounts and other amounts receivable consists of trade receivables $ Nil [2012- $14,625] and HST recoverable $48,192 [2012- $55,799].
c) Accounts payable and due to associate are initially measured at fair value and subsequently at amortized cost.

Management of Financial Risk

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at December 31, 2013:

Financial Risk Management
The Board of Directors is responsible for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts and other amounts receivable, accounts payable and accrued liabilities.

Credit Risk
The Company's exposure to credit risk is in its bank accounts and accounts and other amounts receivable. The cash and cash equivalents consist of operating funds with commercial banks.

Liquidity Risk
The Company ensures that there is sufficient capital in order to meet short term business requirements.

Exchange Risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company is exposed to foreign exchange risk on its cash and cash equivalents and its obligations under accounts payable. At December 31, 2013 the Company has the following amounts denoted in US currency: cash and cash equivalents- $1,408, and accounts payable and accrued liabilities- $47,863.

The Company has expenditures denominated in US dollars. Fluctuations in the value of the US dollar relative to the Canadian dollar will impact the Company's results from operations.

5. INTEREST IN ASSOCIATE

[a] The Company has an interest in Agrisoma Biosciences Inc. At December 31, 2011 the Company owned 29% of Agrisoma's common shares; in November and December 2012 the Company purchased the financial interests of an existing major shareholder, subscribed to an Agrisoma private placement of common shares and purchased the shares of a minor shareholder which increased its ownership position to 50%. The 21% increase in ownership of Agrisoma resulted in the acquisition of $3,150,125 of implicit intangibles. This amount was originally to be amortized over twenty years, which is the term of a significant Agrisoma distribution contract.

[b] The following table summarizes the Company's equity share of Agrisoma and the carrying value of its investment:

December 31, 2011	-
Shares purchased	3,855,881
Equity loss	(1,761,391)
Amortize intangibles	(22,439)
December 31, 2012	2,072,051
Equity loss	(1,752,205)
Amortize intangibles	(157,508)
Impairment loss	(162,338)
December 31, 2013	-

[c] Purchase of financial interest of an existing shareholder:

In November 2012 the Company purchased $1,248,600 of convertible promissory notes and unpaid interest (the "Purchased Notes") and 673,638 Agrisoma common shares from a major shareholder for $2,200,000 in cash. The Purchased Notes had interest, terms and conversion features similar to the notes as discussed below.

[d] Conversion of promissory notes:

In February 2008, December 2008 and August 2011 the Company entered into convertible promissory note agreements with Agrisoma that had conversion rights based on either a Qualified Financing or Qualified Sale of Agrisoma at prices based on a range of 50%, 60%, or 75% of the equity proceeds depending on the date of the Qualified Financing or Sale or at pre-determined amounts per share. The notes bore interest at 15% per annum and were secured by a general security agreement providing a charge over all Agrisoma's assets. The unpaid principal and interest on the February 2008 note was converted into the December 2008 note. As no Qualified Financing or Sale occurred, the notes were extended as necessary. Interest accrual stopped on September 30, 2012 at which time the principal was $2,160,178 and unpaid interest $452,561 for a total of $2,612,739.

On October 5, 2012 the Company, Agrisoma and remaining major Agrisoma shareholder entered into a Note Conversion Agreement whereby on completion of the Company's purchase of the financial interest of the major shareholder noted above, all Agrisoma notes and unpaid interest would be converted into common shares. As part of the agreement, the parties stopped interest accrual on all convertible promissory notes effective September 30, 2012.

The parties agreed to convert the notes and unpaid interest at the following amounts: the December 2008 note at $4.30233 per common share and the August 2011 note at $2.31511 per common share. Following the purchase of the financial interest of the existing shareholder as discussed above the Company had $2,411,527 of August 2008 notes and unpaid interest which was converted into 560,517 common shares. The Company had $1,449,813 of August 2011 notes and unpaid interest which was converted into 626,240 common shares. Upon conversion, the previously unpaid and unrecorded interest of $452,561 was recognised as interest income.

[e] Purchase of Agrisoma shares:

On December 13, 2012 the Company purchased 301,300 common shares for $1,160,005 in cash from Agrisoma as a private placement and purchased 8,670 common shares for $19,789 in cash from a minor Agrisoma shareholder.

The Company incurred legal fees of $23,526 to increase its Agrisoma shareholdings from 29% to 50%; this amount is included in investment in associate balance.

[f] Impairment in carrying value of interest in associate:

The Company has written down the carrying value of the investment in associate to $Nil to reflect the uncertainty of Agrisoma to obtain additional financing on acceptable terms to enable its continued development activities.

6. EQUITY

[a] Share Capital

Authorized:
Common shares: unlimited number, without par value;
Preferred shares: unlimited number, issuable in series.

[Expressed in Canadian Dollars]

Issued:

Common Shares:

	Number	Amount $
Balances, December 31, 2011	**14,826,401**	**2,642,845**
Private placement-1,110,000 units		
Common shares issued	1,110,000	277,500
Warrant valuation	-	(44,400)
Common shares issued- broker's finance fee units	37,000	6,290
Issuance costs	-	(77,887)
Issuance costs attributable to warrants	-	12,462
Total	1,147,000	173,965
Private placement-13,333,666 units		
Common shares issued	13,333,666	4,000,100
Warrant valuation	-	(681,655)
Common shares issued- broker's finance fee units	250,000	79,592
Issuance costs	-	(477,453)
Issuance costs attributable to warrants	-	81,363
Total	13,583,666	3,001,947
Total 2012	14,730,666	3,175,912
Balances, December 31, 2012	**29,557,067**	**5,818,757**
Exercise of stock options	341,492	43,711
Private placement-5,230,000 units		
Common shares issued	5,230,000	784,500
Warrant valuation	-	(313,800)
Issuance costs	-	(104,712)
Issuance costs attributable to warrants	-	40,058
Total	5,230,000	406,046
Private placement-3,223,333 units		
Common shares issued	3,223,333	483,500
Warrant valuation	-	(257,867)
Issuance costs	-	(68,536)
Issuance costs attributable to warrants	-	36,552
Total	3,223,333	193,649
Total 2013	8,794,825	643,406
Balances, December 31, 2013	**38,351,892**	**6,452,163**

Preferred Shares:

There are no preferred shares issued.

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<u>2012 Private placement- 1,110,000 units:</u>
On July 31, 2012 the Company completed a brokered private placement of 1,110,000 units at $0.25 each for gross proceeds of $277,500. Each unit comprises one common share and one half of one common share purchase warrant, exercisable into one common share at a price of $0.40 until July 31, 2014. As part of the units sold, 555,000 purchase warrants were issued valued at $44,400 ($0.08 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of two years, volatility of 122%, expected dividend yield 0% and a 1.08% risk free rate of return.

The Company paid the brokers a cash commission of $19,425 and administration and legal expenses of $15,500. Additionally the Company issued 111,000 broker's warrants valued at $8,880 ($0.08 per warrant) calculated as above, and 37,000 units as a broker's corporate finance fee, each unit comprising one common share and one half one common share purchase warrant exercisable into one common share at a price of $0.40 until July 31, 2014. The 37,000 common shares issued in connection with the corporate finance fee were valued at $6,290 ($0.17 per share) equal to the common share market price at issue date, and the 18,500 share purchase warrants were valued at $1,480 ($0.08 per warrant) as calculated above. Additionally the Company incurred $26,312 in legal and regulatory fees in connection with the private placement. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

<u>2012 Private placement- 13,333,666 units:</u>
On December 13, 2012 the Company completed a private placement of 13,333,666 units at $0.30 each for gross proceeds of $4,000,100. Each unit comprises one common share and one half of one common share purchase warrant, exercisable into one common share at a price of $0.60 for a twelve month period from closing. The private placement occurred in two tranches.

The first tranche of 8,163,999 units was completed on November 09, 2012 with the issuance of 8,163,999 common shares and 4,082,000 share purchase warrants for gross proceeds of $2,449,200. The share purchase warrants were valued at $449,020 ($0.11 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of one year, volatility of 127%, expected dividend yield 0% and a 1.08% risk free rate of return. The warrants expire November 09, 2013.

The Company paid the brokers a cash commission of $156,059 and administration and legal expenses of $17,500. Additionally the Company issued 500,500 broker's warrants valued at $55,055 ($0.11 per warrant) calculated as above, and 153,071 units as a broker's corporate finance fee, each unit comprising one common share and one half one common share purchase warrant exercisable into one common share at a price of $0.60 until November 12, 2013. The 153,071 common shares issued in connection with the corporate finance fee were valued at $50,513 ($0.33 per share) equal to the common share market price at issue date, and the 76,536 share purchase warrants were valued at $8,419 ($0.11 per warrant) as calculated above.

The second tranche of 5,169,667 units was completed on December 13, 2012 with the issuance of 5,169,667 common shares and 2,584,834 share purchase warrants for gross proceeds of $1,550,900. The share purchase warrants were valued at $232,635 ($0.09 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of one year, volatility of 124%, expected dividend yield 0% and a 1.12% risk free rate of return. The warrants expire December 13, 2013.

The Company paid the brokers a cash commission of $82,515. Additionally the Company issued 275,500 broker's warrants valued at $24,795 ($0.09 per warrant) calculated as above, and 96,929 units as a broker's corporate finance fee, each unit comprising one common share and one half one common share purchase warrant exercisable into one common share at a price of $0.60 until

December 13, 2013. The 96,929 common shares issued in connection with the corporate finance fee were valued at $29,079 ($0.30 per share) equal to the common share market price at issue date, and the 48,465 share purchase warrants were valued at $4,362 ($0.09 per warrant) as calculated above.

In addition to the costs noted above, the Company incurred $49,156 in legal and regulatory fees in connection with the two tranches. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

2013 Private placement- 5,230,000 units:
On July 5, 2013 the Company completed a brokered private placement of 5,230,000 units at $0.15 each for gross proceeds of $784,500. Each unit comprises one common share and one common share purchase warrant, exercisable into one common share at a price of $0.35 until January 5, 2015. As part of the units sold, 5,230,000 purchase warrants were issued valued at $313,800 ($0.06 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of 1.5 years, volatility of 123.5%, expected dividend yield 0% and a 1.1% risk free rate of return.

The Company paid the brokers a cash commission of $62,470 and issued 288,800 broker's warrants valued at $17,328 ($0.06 per warrant) calculated as above. The warrants are exercisable into one common share at a price of $0.35 until January 5, 2015. Additionally the Company incurred $17,072 in legal and regulatory fees in connection with the private placement. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

2013 Private placement- 3,223,333 units:
On September 18, 2013 the Company completed a non-brokered private placement of 3,223,333 units at $0.15 each for gross proceeds of $483,500. Each unit comprises one common share and one common share purchase warrant, exercisable into one common share at a price of $0.35 until March 18, 2015. As part of the units sold, 3,223,333 purchase warrants were issued valued at $257,867 ($0.08 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of 1.5 years, volatility of 122.3%, expected dividend yield 0% and a 1.1% risk free rate of return.

The Company paid finders' fees of $38,730 and issued 257,867 finders' warrants valued at $20,629 ($0.08 per warrant) calculated as above. The warrants are exercisable into one common share at a price of $0.35 until March 18, 2015. Additionally the Company incurred $9,177 in legal and regulatory fees in connection with the private placement. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian Dollars]

December 31, 2013 and 2012

[b] Warrants

Warrant transactions during the year:

	Number of common shares issuable	Average warrant value $	Notes	Amount $
Balance, December 31, 2011	-			-
Private placement-1,110,000 units:				
Issued as component of units	555,000	0.08	6(a)	44,400
Private placement fees:				
Issued as broker's warrants	111,000	0.08	6(a)	8,880
Issued as broker's finance units	18,500	0.08	6(a)	1,480
Issuance costs	-	-		(12,462)
Private placement-13,333,666 units:				
Issued as component of units	6,666,834	0.10	6(a)	681,655
Private placement fees:				
Issued as broker's warrants	776,000	0.10	6(a)	79,850
Issued as broker's finance units	125,000	0.10	6(a)	12,780
Issuance costs	-	-		(81,363)
Balance, December 31, 2012	**8,252,334**			**735,220**
Private placement-5,230,000 units:				
Issued as component of units	5,230,000	0.06	6(a)	313,800
Issued as broker's warrants	288,800	0.06	6(a)	17,328
Issuance costs	-	-		(40,057)
Private placement-3,223,333 units:				
Issued as component of units	3,223,333	0.08	6(a)	257,867
Issued as finders' warrants	257,867	0.08	6(a)	20,631
Issuance costs	-	-		(36,553)
Expiry date extended on 6,666,834 units				133,337
Expired broker's warrants	(776,000)			(71,523)
Expired broker's finance units	(125,000)			(11,437)
Balance, December 31, 2013	**16,351,334**			**1,318,613**

During the year 7,567,834 warrants issued in conjunction with the 13,333,666 unit private placement were scheduled to expire. Approval was sought to extend the expiry date on these warrants by 6 months. An extension was granted on 6,666,834 common share warrants which were issued in two tranches on November 9, 2012 and December 13, 2012. As a result of the extension, 4,082,000 warrants will now expire on May 9, 2014 and 2,584,834 warrants will now expire on June 13, 2014. Approval to extend the expiry dates on 901,000 warrants issued to brokers was not granted and these expired during the year. Issue costs have been allocated to expired warrants on a pro-rata basis and the value of these warrants has been transferred to contributed surplus.

[Expressed in Canadian Dollars]

Estimate of the incremental fair value due to expiry date extension:

The Black-Scholes valuation model was used to estimate the incremental fair value of the warrants and the changes are summarized in the table below:

	Black-Scholes Valuation Model			Valuation		
	Term (yrs)	Risk free rate	Volatility	Per warrant	Total	Increase
4,082,000 warrants						
-revised expiry date	1.5	1.10%	116.0%	$0.13	$530,660	
-original expiry date	1.0	1.08%	127.0%	$0.11	$449,020	$81,640
2,584,834 warrants						
-revised expiry date	1.5	1.13%	117.0%	$0.11	$284,332	
-original expiry date	1.0	1.12%	124.0%	$0.09	$232,635	$51,697
TOTAL						$133,337

The warrant value has been increased by $133,337 and the offsetting amount a distribution and a charge against deficit.

Warrants outstanding at December 31, 2013:

Exercise price	**Number of common shares issuable**	**Expiry date**	**Remaining contractual life (years)**
$0.60	4,082,000	May 9, 2014	0.35
$0.60	2,584,834	June 13, 2014	0.45
$0.40	684,500	July 31, 2014	0.58
$0.35	5,518,800	April 1, 2015	1.01
$0.35	3,481,200	March 18, 2015	1.21
$0.45	**16,351,334**		

[c] Contributed surplus

	Notes	Amount $
Balance, December 31, 2011		**222,913**
Share-based compensation		
Immediate vesting	6(d)	108,000
Graded vesting	6(d)	41,250
Balance, December 31, 2012		**372,163**
Share-based compensation		
Immediate vesting	6(d)	400,950
Graded vesting-2012 options	6(d)	2,750
Graded vesting-2013 options	6(d)	33,670
Share options exercised		(9,562)
Expired common share purchase warrants	6(b)	82,960
Balance, December 31, 2013		**882,931**

[Expressed in Canadian Dollars]

[d] Stock options

On October 16, 2013 a new Stock Option Plan (the "New Plan") was approved at the meeting of the shareholders. Pursuant to the New Plan, the Company will continue to have a "rolling" stock option plan that will allow the Company to issue up to 10% of the Company's issued and outstanding common shares at any given time. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or not more than 2% of the issued shares on a yearly basis if granted to any one consultant or to any one employee engaged in investor relations activities.

The term, subject to a maximum of ten years, and vesting period of the options is determined by the Board of Directors. The exercise price of the options are required to have an exercise price no less than the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange), or such other price as may be required by the Exchange; there are no cash settlement alternatives for the option holders. All options previously granted by the Company that are outstanding as at the date of the New Plan have been deemed to be granted under the New Plan and to be options which are subject to the terms and conditions of the New Plan.

At December 31, 2013 the Company had 358,436 stock options available for future grants.

Stock option transactions are summarized as follows:

	Number of optioned common shares	Weighted average exercise price $
Balance, December 31, 2011	**943,245**	0.15
Options granted	500,000	0.40
Balance, December 31, 2012	**1,443,245**	0.24
Options exercised	(341,492)	0.10
Options forfeited	(50,000)	0.10
Options granted	2,425,000	0.21
Balance, December 31, 2013	**3,476,753**	0.23

<u>Options granted in 2012:</u>

Immediate vesting:
300,000 options were granted to executives and vested immediately. These options have a five year term and are exercisable at $0.40 per share. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted-average assumptions: dividend yield 0.0%, expected volatility 149%; risk-free interest rate 1.57%, and an expected life of five years. The estimated value of these options is $108,000 and is included in share based compensation expense; the corresponding credit is included in contributed surplus.

Graded vesting:
200,000 options with a two year term and an exercise price of $0.40 per share were granted to a contractor with vesting occurring in four equal tranches every three months commencing three months after the date of issue. A nil forfeiture rate was assumed given the senior nature of contractor's position in the Company. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted-average assumptions: dividend yield 0.0%, expected volatility 110%; risk-free interest rate 1.10%, and an expected life of two years. During 2012 150,000 options vested with an estimated value $41,250 included in share based compensation expense with the corresponding credit included in contributed surplus. The remaining 50,000 options vested in 2013 with an estimated value of $2,750.

[Expressed in Canadian Dollars]

<u>Options granted in 2013:</u>

Immediate vesting:
Various five year term options were granted to executives and consultants, all with immediate vesting, as noted below. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted average assumptions:

			Black-Scholes weighted average assumptions				
Issue date	Exercise price	Options granted	Dividend yield	Expected volatility	Risk free interest rate	Expected life (years)	Estimated value of options
Sep 09/13	$0.20	1,600,000	0.00%	161%	1.89%	5.0	$296,000
Dec 04/13	$0.22	250,000	0.00%	153%	1.73%	5.0	$50,500
Dec 09/13	$0.27	225,000	0.00%	144%	1.73%	5.0	$54,450
		2,075,000					$400,950

Graded vesting:
350,000 options with a five year term and an exercise price of $0.20 per share were granted to a contractor with vesting occurring in four equal tranches every three months commencing three months after the date of issue. A nil forfeiture rate was assumed given the senior nature of contractor's position in the Company. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted-average assumptions: dividend yield 0.0%, expected volatility 161%; risk-free interest rate 1.89%, and an expected life of five years. During the year 87,500 options vested with an estimated value $33,670 included in share based compensation expense with the corresponding credit included in contributed surplus. The remaining 262,500 options will vest in 2014 with an estimated value of $31,080.

The weighted average fair value of options granted during the year is $0.20 per share [2012-$0.30]. The total expense is $437,370 [2012-$149,250].

The expected life of the options granted is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The options outstanding under the Plan at December 31, 2013 are as follows:

Options outstanding			**Options exercisable**
Exercise price	**Number of common shares issuable**	**Remaining contractual life (years)**	**Number of common shares issuable**
$0.40	200,000	0.10	200,000
$0.15	91,753	0.52	91,753
$0.11	90,000	1.13	90,000
$0.21	370,000	2.96	370,000
$0.40	300,000	3.23	300,000
$0.20	350,000	4.68	87,500
$0.20	1,600,000	4.68	1,600,000
$0.22	250,000	4.93	250,000
$0.27	225,000	4.94	225,000
	3,476,753		3,214,253

[Expressed in Canadian Dollars]

7. RELATED PARTY TRANSACTIONS

During the year the Company earned $75,000 [2013-$75,000] in licensing fees from Agrisoma for the use of certain technology; the earned amounts are included in revenue when the four revenue recognition criteria are met. The revenue recognized during the year was $ Nil due to collection uncertainty [2012-$112,500] resulting in unrecorded license fees $75,000 at December 31, 2013.

During the year the Company earned $ Nil [2012-$150,863] interest on the Agrisoma notes and recognized $ Nil [2012-$452,461] interest income. The Agrisoma notes were converted into common shares during 2012.

During the year the Company incurred fees of $426,880 [2012-$150,975] for key management personnel.

During the year the Company granted 1,450,000 stock options [2012-300,000], with a fair value of $272,500 [2012-$108,000] to key management personnel. Details of stock options are disclosed in Note 6 (d).

8. COMMITMENTS AND CONTINGENCIES

[a] Research contracts and license agreements

Under the terms of various license agreements, the Company is required to make royalty payments based on a percentage of revenues from the technology licensed to the Company over the term of the agreement which typically terminate either at a fixed date or upon the expiration of the related last issued patent. In certain of these license agreements there are minimum annual amounts. The Company has no active license agreements at December 31, 2013.

[b] Indemnification

The Company has agreed to indemnify its directors, officers, employees and consultants against all liabilities, losses, costs, claims, damages to which they may be subject or may suffer or incur as a result of or related to the assets, obligations or operations from the Company.

[c] Dispute over Licensing Agreement terms

On December 23, 2013, the Company received an invoice for US$362,999 from Agrisoma who maintains the Company is responsible for payment under a license and sub license agreement between the Company and Agrisoma dated January 1, 2001 and as amended March 26, 2004. The Company sought advice; legal counsel's view is that this allegation is baseless and without merit and therefor the Company has not accrued this amount in these financial statements.

9. INCOME TAXES

The Company's effective income tax rate differs from the statutory income tax rate [December 31, 2013- 25.75% and December 31, 2012- 25%]. The differences arising from the following items:

	2013 $	**2012** $
Income tax recovery at statutory rates	(911,721)	(435,912)
Permanent differences	380,498	159,022
Change in losses and other unrecognized tax benefits	550,527	260,824
Change in future tax rate	(5,518)	-
Other	(13,786)	16,066
	-	-

[Expressed in Canadian Dollars]

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Components of the Company's unrecognized deferred tax assets and liabilities as of December 31 are shown below:

	2013	2012
	$	$
Deferred tax assets:		
Net non-capital operating losses carry forward	565,622	259,571
Share issue costs and others	112,074	101,495
Excess of tax base of carrying value of interest in affiliate	780,484	511,750
Total unrecognized deferred tax assets	1,458,180	872,816

As the Company has a history of losses, deferred tax assets have not been recognized.

The Company has operating non capital loss carry forwards available to offset future taxable income, the amounts and expiry dates noted below:

Expiry:	**2013** **$**
2028	412,000
2029	319,000
2030	253,000
2031	49,000
2032	6,000
2033	1,137,000
Total	2,176,000

10. MANAGEMENT OF CAPITAL

The Company manages its cash and cash equivalents and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its strategic plan. The Company manages and performs regular review of financial information. The Company does not have any externally imposed capital requirement to which it is subject.

11. REVENUE CONCENTRATION

During the year ended December 31, 2013, 100% of license revenue is derived from Agrisoma [2012-100%].

12. SUBSEQUENT EVENTS

On April 9, 2014 the Company entered into an agreement with BDC Capital Inc. and Agrisoma Biosciences Inc. ("Agrisoma") pursuant to which the Company agreed to waive its pre-emptive right in order to allow a third party to finance Agrisoma. The proposed Agrisoma financing, if it were to proceed as proposed and without the Company's participation will, upon closing, dilute Calyx's interest in Agrisoma from 49.96% to approximately 29%. Following an evaluation by an Independent Committee of the Company's board of directors, it was determined that in Company's view, Agrisoma's business had not progressed as expected, and no options for financing Agrisoma could be found that would be satisfactory to shareholders of the Company.

Additionally, intellectual property ("IP") which was exclusively licensed to Agrisoma by the Company is no longer under exclusive license to Agrisoma. With the IP reverting to Calyx, Calyx is now able to license and utilize its IP in other agricultural sector opportunities that it is currently investigating.