BIOEXX SPECIALTY PROTEINS LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's interim Canadian GAAP consolidated financial statements for the three months ended March 31, 2010 were reviewed by its former independent auditor, the Company's Canadian GAAP consolidated financial statements for the year ended December 31, 2010 were audited by its former independent auditor, and the Company's interim IFRS consolidated financial statements for the three months ended March 31, 2011 were reviewed by its current auditor. However, an independent auditor has not performed a review in accordance with standards established by the Canadian Institute of Chartered Accountants for a Review of interim financial statements by an entity's auditor of the interim IFRS consolidated financial statements for the three months ended March 31, 2010 which are used for comparative purposes in the Company's interim IFRS consolidated financial statements for the three months ended March 31, 2011.

Accordingly the financial statements are not considered reviewed under subsection 4.3(3) of National Instrument 51-102 *Continuous Disclosure Obligations*.

BIOEXX SPECIALTY PROTEINS LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

INDEX **PAGES**

Unaudited Interim Consolidated Statements of Financial Position	1
Unaudited Interim Consolidated Statements of Comprehensive Loss	2
Unaudited Interim Consolidated Statements of Changes in Equity	3
Unaudited Interim Consolidated Statements of Changes in Cash Flows	4
Notes to the Unaudited Interim Consolidated Financial Statements	5 - 55

BIOEXX SPECIALTY PROTEINS LTD.
Unaudited Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
		$	$	$
Assets				
Current assets				
Cash	4	7,762,063	16,628,725	14,101,171
Restricted cash and investment	5	1,032,946	78,868	-
Trade and other receivables	6	1,181,710	717,405	1,312,904
Investment tax credits receivable	7	2,833,973	2,626,706	1,020,114
Other assets	8	84,069	95,979	74,094
Inventories	9	265,528	164,113	198,715
Total current assets		13,160,289	20,311,796	16,706,998
Non-current assets				
Other assets	8	1,406,545	909,998	4,260,483
Intangible assets	10	910,089	852,963	651,189
Property, plant and equipment	11	66,386,807	63,129,807	20,161,240
Restricted investment	5	-	1,000,000	1,000,000
Total non-current assets		68,703,441	65,892,768	26,072,912
Total assets		81,863,730	86,204,564	42,779,910
Equity and liabilities				
Current liabilities				
Loans and borrowings	12	273,391	749,459	3,511,473
Trade and other payables	11,14	4,265,968	5,334,557	5,471,116
Derivative instruments	5, 21(e)	-	53,016	-
Other liabilities	13	20,100	26,767	20,800
Total current liabilities		4,559,459	6,163,799	9,003,389
Non-current liabilities				
Loans and borrowings	12	6,478,814	6,516,823	541,158
Other liabilities	13	-	-	26,811
Total non-current liabilities		6,478,814	6,516,823	567,969
Total liabilities		11,038,273	12,680,622	9,571,358
Equity				
Share capital	15	98,516,087	98,385,117	46,723,916
Warrants	15(d)	-	-	471,221
Contributed surplus	15(e), 17	8,080,515	7,046,203	3,015,435
Deficit		(35,771,145)	(31,907,378)	(17,002,020)
Total equity		70,825,457	73,523,942	33,208,552
Total equity and liabilities		81,863,730	86,204,564	42,779,910

APPROVED ON BEHALF OF THE BOARD

Signed “Chris Carl” , Director

Signed “John MacDonald” , Director

BIOEXX SPECIALTY PROTEINS LTD.
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended March 31, 2011	March 31, 2010
		$	$
Operations			
Revenue	21(e)	1,249,601	1,695,668
Cost of goods sold		(2,205,971)	(2,530,042)
Gross loss		(956,370)	(834,374)
Share-based compensation	17(d)	(1,096,850)	(1,379,686)
Other general and administrative expenses	24(b)	(906,755)	(891,490)
Plant commissioning and start-up		(606,915)	-
Research and development expenses	7	(138,167)	(888,541)
Sales and marketing expenses		(101,218)	(53,640)
Results from operating activities		(3,806,275)	(4,047,731)
Finance income		43,528	29,509
Finance costs	18	(101,020)	(72,207)
Net finance costs		(57,492)	(42,698)
Net loss and comprehensive loss for the period		(3,863,767)	(4,090,429)
Earnings (loss) per share			
Basic	16	(0.02)	(0.03)
Diluted	16	(0.02)	(0.03)

BIOEXX SPECIALTY PROTEINS LTD.

Unaudited Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2011 and 2010
(Expressed in Canadian dollars)

	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total
	$ (Notes 15(a) and (b))	$ (Note 15(d))	$ (Notes 15(e) and 17)	$	$
Balance, December 31, 2010	98,385,117	-	7,046,203	(31,907,378)	73,523,942
Share issue costs	(193)	-	-	-	(193)
Exercise of share options	131,163	-	(62,538)	-	68,625
Share-based compensation	-	-	1,096,850	-	1,096,850
Net loss	-	-	-	(3,863,767)	(3,863,767)
Balance, March 31, 2011	98,516,087	-	8,080,515	(35,771,145)	70,825,457
Balance, January 1, 2010	46,723,916	471,221	3,015,435	(17,002,020)	33,208,552
Public offering	17,339,124	-	-	-	17,339,124
Share issue costs	(1,218,785)	-	-	-	(1,218,785)
Exercise of share options	207,800	-	(87,000)	-	120,800
Exercise of warrants	2,282,217	(360,953)	-	-	1,921,264
Share-based compensation	-	-	1,379,686	-	1,379,686
Net loss	-	-	-	(4,090,429)	(4,090,429)
Balance, March 31, 2010	65,334,272	110,268	4,308,121	(21,092,449)	48,660,212

Unaudited Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	Three months ended March 31, 2011	Three months ended March 31, 2010
		$	$
Cash flows used in operating activities:			
Net loss for the period		(3,863,767)	(4,090,429)
Adjustments for:			
Share-based compensation		1,096,850	1,379,686
Leasehold inducement		(6,667)	(5,211)
Net finance costs		57,492	42,698
Depreciation and amortization of property, plant and equipment and intangible assets		322,990	246,253
		(2,393,102)	(2,427,003)
Changes in non-cash working capital balances	19	(468,056)	1,478,681
Net cash used in operating activities		(2,861,158)	(948,322)
Cash flows used in investing activities:			
Interest received		43,528	29,509
Additions of other assets		(662,104)	(2,427,890)
Additions of intangible assets		(142,516)	(160,101)
Decrease (increase) in restricted cash and investments		45,922	(1,508,429)
Additions of property, plant and equipment		(4,734,038)	(8,053,615)
Net cash used in investing activities		(5,449,208)	(12,120,526)
Cash flows (used in) from financing activities:			
Proceeds of loans and borrowings		-	2,426,119
Repayments of loans and borrowings		(547,395)	(44,508)
Interest paid on loans and borrowings		(77,333)	(63,643)
Proceeds from exercise of options and warrants		68,625	2,042,064
Proceeds from public offerings		-	17,339,125
Share issuance costs		(193)	(1,218,786)
Net cash (used in) from financing activities		(556,296)	20,480,371
(Decrease) increase in cash		(8,866,662)	7,411,523
Cash, beginning of the period		16,628,725	14,101,171
Cash, end of the period		7,762,063	21,512,694

Supplemental cash flow information (Note 20)

1. Reporting entity

BioExx Specialty Proteins Ltd. (the "Company") is a corporation domiciled in Canada. The Company is involved in the development and commercialization of extraction technology, for use in extracting various active ingredients from organic and inorganic materials. The Company's primary focus is on the production of specialty proteins from canola and other oilseed feedstocks. The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario.

The Company's shares are listed on the Toronto Stock Exchange. The head office, principal address and records of the Company are located at 219 Dufferin Street, Suite 100B, Toronto, Ontario, Canada, M6K 3J1.

2. Basis of preparation

(a) Statement of Compliance

These unaudited interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Company has elected January 1, 2010 as the date of transition to IFRS (the "transition date"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, *First-time Adoption of IFRS* ("IFRS 1"). These unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. The accounting policies applied in these unaudited interim consolidated financial statements are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and outstanding as of June 8, 2011, the date the Board of Directors approved the unaudited interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these unaudited interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The policies set out below were consistently applied to all periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's unaudited interim consolidated financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in the notes, along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, profit or loss and the statements of financial position and cash flows.

As these are the Company's first set of interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34, *Interim Financial Reporting*. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In future interim financial statements in 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's consolidated interim financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements, which will be prepared in accordance with IFRS.

The unaudited interim consolidated financial statements of the Company were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on June 8, 2011.

2. Basis of preparation (continued)

(b) Basis of measurement

These unaudited interim consolidated financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern using the historical cost basis except for the derivative financial instruments which are measured at fair value.

There is significant doubt about the Company's ability to continue as a going concern because management has forecasted that the Company's current level of cash and short-term investments will not be sufficient to execute its current planned expenditures for the next twelve months without further investment. Management believes that it will be able to access additional capital as required to continue to execute its planned expenditures. However, there can be no assurance that the capital will be available as necessary to meet continuing expenditures, or if the capital is available, that it will be on terms acceptable to the Company. The issuance of common shares by the Company could result in significant dilution in the equity interest of existing shareholders. There can be no assurance that the Company will be able to obtain sufficient financing to meet future needs. As a result, there is a significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

These unaudited interim consolidated financial statements do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements. Such amounts could be material.

(c) Functional and presentation currency

The functional and presentation currency of the Company and its subsidiaries BioExx Proteins of Saskatoon Inc., BioExx Proteins of North Dakota Inc., Bio-Extraction Ltd. and MGA Holdings Ltd. is the Canadian dollar ("$").

(d) Significant accounting judgments, estimates and assumptions

The preparation of these unaudited interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the determination of impairment of intangible assets and property, plant and equipment, investment tax credits receivable, the valuation of tax accounts and the determination of development costs which qualify for capitalization. Significant estimations also take place in connection with the valuation of share-based compensation and share purchase warrants. The Company determines whether intangible assets and property, plant and equipment are impaired if there is an indication of impairment and this requires an estimation of future cash flows and application of a suitable discount rate.

3. Significant accounting policies

(a) Basis of consolidation

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. The Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Intra-group balances and transactions are eliminated in preparing the unaudited interim consolidated financial statements.

(b) Foreign currency translation

In preparing financial statements of the individual entities, transactions in currencies other than the Company's Canadian dollar functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. All foreign exchange gains and losses are presented in the consolidated statement of loss within "other general and administrative expenses".

(c) Cash and restricted cash and investments

Cash consists of bank balances held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank. Restricted cash consists of cash held in a margin account which acts as collateral to settle any potential liability associated with the Company's commodity futures contracts. Restricted investments consist of guaranteed investment certificates held as collateral against issued letters of credit.

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in process, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables on the date they originate. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets as either: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables or available-for-sale financial assets.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Non-derivative financial assets (continued)

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's loans and receivable are comprised of cash, restricted investments and trade and other receivables.

Non-derivative financial liabilities

All non-derivative financial liabilities are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company's non-derivative financial liabilities are comprised of loans and borrowings and trade and other payables.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method.

Share capital

Common shares
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from share capital, net of any tax effects.

Derivative financial instruments

The Company may hold from time to time derivative financial instruments, such as commodity futures contracts, to reduce its exposure to fluctuations in commodity prices. The Company has not accounted for these instruments using hedge accounting. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. The Company has classified its derivatives as held-for-trading. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

(f) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and borrowing costs on qualifying assets for which the construction commencement date is on or after January 1, 2010. The purchase price or construction cost is the aggregate amount paid to acquire the asset.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major maintenance and repairs

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. When an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

When a replaced component of an asset was not separately accounted for as a component, the depreciated replacement cost is used to estimate the carrying amount of the replaced assets, which is immediately written off.

Major spare parts are capitalized and all other maintenance costs are expensed as incurred.
.

Depreciation

Depreciation is calculated to write off the cost (less residual value) of property, plant and equipment, excluding freehold land, on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Equipment	5 to 15 years
Land improvements	15 years
Leasehold improvements	Over the lease term – 5 years
Other assets	3 to 5 years

Assets under construction are capitalized but are not depreciated until such time that they are available for management's intended use. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss on derecognition of the asset (calculated as the difference between the net proceeds of disposal and the carrying amount of the asset) is included in profit or loss in the year that the asset is derecognized.

(g) Intangible assets

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

3. Significant accounting policies (continued)

(g) Intangible assets (continued)

Patents

Patent rights represent the Company's exclusive right to use certain patented technologies owned by the Company and certain technologies for which the Company has pending patent applications. Patents that have been granted expire in 2020 and 2027. Legal fees relating to the acquisition of patents are capitalized and amortized on a straight-line basis over the life of the patent. Patents are recognized at cost less accumulated amortization and accumulated impairment losses.

Trademarks

Legal fees relating to the acquisition of trademarks are capitalized and amortized on a straight-line basis over the life of the trademark. Trademarks are recognized at cost less accumulated amortization and accumulated impairment losses.

Regulatory certifications

Regulatory certifications represent the Company's rights and certifications to sell its food-grade canola proteins in certain countries, such as that represented by its self-affirmed GRAS ("Generally Regarded As Safe") status under the regulations of the U.S. Food and Drug Administration. Regulatory Certification expenditures, which include legal and consulting fees, are capitalized and are amortized on a straight-line basis from the date the Regulatory Certifications are available for use. Regulatory certifications are recognized at cost less accumulated amortization and accumulated impairment losses.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditures which do not meet the criteria for capitalization are recognized in profit or loss as incurred.

Capitalized development costs are recognized at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is calculated to write off the cost (less residual value) of intangible assets on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	3 years
Patents	20 years
Trademarks	15 years
Regulatory certifications	20 years

3. Significant accounting policies (continued)

(g) Intangible assets (continued)

Amortization (continued)

The assets' residual values, useful lives and methods of amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

Derecognition

An intangible asset initially recognized is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss on derecognition of the asset (calculated as the difference between the net proceeds of disposal and the carrying amount of the asset) is included in profit or loss in the year that the asset is derecognized.

(h) Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or an indicator that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amount of the Company's long-lived non-financial assets, including intangible assets and property, plant and equipment, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and property, plant and equipment not yet put into use are evaluated for impairment at least annually.

3. Significant accounting policies (continued)

(h) Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its estimated value in use and its fair value less costs to sell. In estimating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Losses are recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in Note 17.

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

Share-based payment transactions (continued)

The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of the expected number of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. No provisions have been recorded as at January 1, 2010, December 31, 2010 and March 31, 2011.

Employee entitlements

Employee entitlements to annual leave are recognized as the employees earn them. A provision, stated at current cost, is made for the estimated liability at the end of the reporting period.

(k) Revenue

Sale of goods

Revenue from the sales of goods is recognized when all the following conditions are satisfied:

- delivery of the goods has occurred;
- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- persuasive evidence of an arrangement exists and the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

3. Significant accounting policies (continued)

(l) Investment tax credits

The Province of Saskatchewan provides refundable investment tax credits, which are earned as a result of the purchase of manufacturing and processing ("M&P") equipment and facilities. The M&P investment tax credits are recorded as a reduction of the related cost of the asset acquired when there is reasonable assurance that they will be realized.

The Company's claim for investment tax credits for income tax purposes are based on management's interpretation of the applicable legislation. These amounts are generally subject to review and acceptance by the Canada Revenue Agency prior to collection.

Research and development investment tax credits, which are earned as a result of incurring qualifying research and development expenditures, are recorded as a reduction of the related expense or cost of the asset acquired when there is reasonable assurance that they will be realized.

The Company's claim for Scientific Research and Experimental Development ("SR&ED") deductions and related investment tax credits for income tax purposes are based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). These amounts are subject to review and acceptance by the Canada Revenue Agency or the Ontario Ministry of Finance prior to collection.

(m) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the non-current assets in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as a reduction of the related expense over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(n) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Leasehold inducements received are recognized as a reduction of the total lease expense, over the term of the lease, and are included as a component of other liabilities in the statement of financial position.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

3. Significant accounting policies (continued)

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Finance costs comprise interest expense on borrowings, unwinding of a discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset deferred tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for shares held in escrow that are subject to contingent release based on conditions other than the passage of time. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for shares held in escrow that are subject to contingent release based on conditions other than the passage of time, for the effects of all dilutive potential common shares, which comprise share options granted and warrants. Potential common shares which are considered anti-dilutive are excluded from the calculation of diluted earnings per share.

(s) Recent accounting pronouncements

IFRS 9, Financial Instruments

In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. Cash

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash	7,762,063	16,628,725	14,101,171

The Company's exposure to credit risk, interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 21.

(Expressed in Canadian dollars)

5. Restricted cash and investments

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Derivative instruments margin account (i)	32,946	78,868	-
Bank of Montreal ("BMO") letter of credit collateral (ii)	1,000,000	1,000,000	1,000,000
	1,032,946	1,078,868	1,000,000
Restricted investment *(non-current)*	-	1,000,000	1,000,000
Restricted cash and investment *(current)*	1,032,946	78,868	-
	1,032,946	1,078,868	1,000,000

(i) Under the terms of the Company's derivative instruments agreement relating to commodity futures contracts, it is required to maintain a margin account which acts as collateral to settle any potential liability associated with its commodity futures contracts.

(ii) Under the terms of the Farm Credit Canada ("FCC") mortgage, as described in Note 12(i), the Company was required to provide a $1,000,000 Letter of Credit to FCC, as a best-practices reserve against project cost contingencies. During the year-ended December 31, 2008, BMO agreed to provide a $1,000,000 Letter of Credit, in favour of FCC, as a vehicle for the FCC contingency reserve. Under the terms of the agreement the Company invested $1,000,000 in a BMO Guaranteed Investment Certificate as collateral against the Letter of Credit. Subsequent to March 31, 2011, FCC agreed to release the requirement of the $1,000,000 best-practices reserve, and as a result the $1,000,000 Letter of Credit was terminated, as disclosed in Note 26(f).

6. Trade and other receivables

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Trade receivables	994,475	309,320	590,915
Sales tax recoverable	187,235	408,085	672,193
Other	-	-	49,796
	1,181,710	717,405	1,312,904

The Company's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 21.

7. Investment tax credits receivable

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
SR&ED credits receivable (i)	322,778	298,374	76,689
M&P investment tax credits receivable (ii)	2,511,195	2,328,332	943,425
	2,833,973	2,626,706	1,020,114

(Expressed in Canadian dollars)

7. Investment tax credits receivable (continued)

(i) SR&ED credits receivable consist of the following:

	March 31, 2011	December 31, 2010
	$	$
Balance, beginning of the period	298,374	76,689
Collected during the period	-	(264,007)
Accrued during the period	24,404	485,692
Balance, end of period	322,778	298,374

During the period the Company accrued SR&ED credits in the amount $24,404 (2010 - $485,692). The SR&ED credits have been recorded as a reduction of research and development expenditures in the amount of $14,961 (2010 - $429,672) and as a reduction of property, plant and equipment in the amount of $9,443 (2010 - $56,020), as disclosed in Note 11.

(ii) Province of Saskatchewan M&P investment tax credits receivable consist of the following:

	March 31, 2011	December 31, 2010
	$	$
Balance, beginning of the period	2,328,332	943,425
Credits collected during the period	-	(951,516)
Credits accrued during the period	182,863	2,332,678
Interest accrued during the period	-	3,745
Balance, end of period	2,511,195	2,328,332

During the period the total cost of the property, plant and equipment has been reduced by $182,863 (2010 - $2,332,678) relating to the accrual of the Province of Saskatchewan M&P investment tax credits earned during the period, as disclosed in Note 11.

Subsequent to March 31, 2011, the Company received a full refund of the investment tax credits accrued during 2010, as disclosed in Note 26(g).

8. Other assets

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Prepayments	139,439	151,349	120,355
Equipment deposits (i)	1,351,175	854,628	4,214,222
	1,490,614	1,005,977	4,334,577
Non-current	1,406,545	909,998	4,260,483
Current	84,069	95,979	74,094
	1,490,614	1,005,977	4,334,577

(Expressed in Canadian dollars)

8. Other assets (continued)

(i) Equipment deposits consist of progress payments to vendors which the Company is, from time to time, required to make during the course of development and construction of its facilities against certain engineering fees and equipment purchases in advance of the delivery of such equipment by the vendors. Upon delivery, the deposits on the engineering fees and the equipment in question will be reallocated to property, plant and equipment.

9. Inventories

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Raw materials	134,366	153,432	122,024
Finished goods	131,162	10,681	76,691
	265,528	164,113	198,715

For the three months ended March 31, 2011, inventories of $2,205,971 were expensed and included in cost of goods sold (three months ended March 31, 2010 - $2,530,042). A write-down of inventories to their net realizable value, during production ramp-up, in the amount of $16,176, was recognized as an expense and included in cost of goods sold during the three months ended March 31, 2011 (three months ended March 31, 2010 - $22,684). There was no reversal of any write-down that is or was recognized as a reduction in the amount of inventories recognized as an expense. The total carrying value of inventories at March 31, 2011, December 31, 2010 and January 1, 2010 are recorded at cost.

10. Intangible assets

	Patents and Trademarks	Regulatory Certifications	Computer Software	Total
	$	$	$	$
Cost				
Balance as at January 1, 2010	501,296	152,899	81,221	735,416
Additions	117,600	109,654	66,052	293,306
Balance as at December 31, 2010	618,896	262,553	147,273	1,028,722
Balance as at January 1, 2011	618,896	262,553	147,273	1,028,722
Additions	34,825	35,956	13,180	83,961
Balance as at March 31, 2011	653,721	298,509	160,453	1,112,683
Amortization				
Balance as at January 1, 2010	70,690	-	13,537	84,227
Amortization	39,094	14,354	38,084	91,532
Balance as at December 31, 2010	109,784	14,354	51,621	175,759
Balance as at January 1, 2011	109,784	14,354	51,621	175,759
Amortization	10,410	3,604	12,821	26,835
Balance as at March 31, 2011	120,194	17,958	64,442	202,594

(Expressed in Canadian dollars)

10. Intangible assets (continued)

Carrying amounts	Patents and Trademarks $	Regulatory Certifications $	Computer Software $	Total $
As at January 1, 2010	430,606	152,899	67,684	651,189
As at December 31, 2010	509,112	248,199	95,652	852,963
As at January 1, 2011	509,112	248,199	95,652	852,963
As at March 31, 2011	533,527	280,551	96,011	910,089

As at March 31, 2011, intangible assets included patent expenditures with a cost of $217,461, accumulated amortization of $72,443 and a net book value of $145,018 (December 31, 2010 - cost of $217,461, accumulated amortization of $68,134 and a net book value of $149,327; January 1, 2010 - cost of $211,529, accumulated amortization of $51,265 and a net book value of $160,264) as well as computer software with a cost of $160,453, accumulated amortization of $64,442 and a net book value of $96,011 (December 31, 2010 - cost of $147,273, accumulated amortization of $51,621 and a net book value of $95,652; January 1, 2010 - cost of $81,221, accumulated amortization of $13,537 and a net book value of $67,684) relating to assets which were acquired by the Company. The balance of expenditures with a cost of $734,769, accumulated amortization of $65,709 and a net book value of $669,060, relate to intangible assets developed by the Company (December 31, 2010 - cost of $663,988, accumulated amortization of $56,004 and a net book value of $607,984; January 1, 2010 - cost of $442,666, accumulated amortization of $19,425 and a net book value of $423,241).

11. Property, plant and equipment

	Building $	Equipment $	Land and Land Improvements $	Leasehold Improvements $	Other Assets $	Total $
Cost						
Balance as at January 1, 2010	5,231,103	15,356,583	437,175	99,752	123,581	21,248,194
Additions	4,792,771	38,416,211	749,842	-	55,914	44,014,738
Balance as at December 31, 2010	10,023,874	53,772,794	1,187,017	99,752	179,495	65,262,932
Balance as at January 1, 2011	10,023,874	53,772,794	1,187,017	99,752	179,495	65,262,932
Additions	42,194	3,466,385	42,137	-	2,439	3,553,155
Balance as at March 31, 2011	10,066,068	57,239,179	1,229,154	99,752	181,934	68,816,087
Depreciation						
Balance as at January 1, 2010	83,240	906,776	-	62,615	34,323	1,086,954
Depreciation	283,717	682,348	21,897	20,700	37,509	1,046,171
Balance as at December 31, 2010	366,957	1,589,124	21,897	83,315	71,832	2,133,125
Balance as at January 1, 2011	366,957	1,589,124	21,897	83,315	71,832	2,133,125
Depreciation	103,877	166,322	11,720	4,109	10,127	296,155
Balance as at March 31, 2011	470,834	1,755,446	33,617	87,424	81,959	2,429,280

(Expressed in Canadian dollars)

11. Property, plant and equipment (continued)

	Building	Equipment	Land and Land Improvements	Leasehold Improvements	Other Assets	Total
	$	$	$	$	$	$
Carrying amounts						
Balance as at January 1, 2010	5,147,863	14,449,807	437,175	37,137	89,258	20,161,240
Balance as at December 31, 2010	9,656,917	52,183,670	1,165,120	16,437	107,663	63,129,807
Balance as at January 1, 2011	9,656,917	52,183,670	1,165,120	16,437	107,663	63,129,807
Balance as at March 31, 2011	9,595,234	55,483,733	1,195,537	12,328	99,975	66,386,807

Investment tax credits and government grants

During the three months ended March 31, 2011 the total cost of the equipment has been reduced by $180,642 (2010 - $2,089,577) and the cost of the building has been reduced by $2,221 (2010 - $243,101) relating to the accrual of the Province of Saskatchewan M&P investment tax credits earned during the period, as disclosed in Note 7.

During the three months ended March 31, 2011 the total cost of the equipment has been reduced by $9,443 (2010 - $56,020) relating to the accrual of the Province of Saskatchewan SR&ED tax credit earned during the period, as disclosed in Note 7.

During the three months ended March 31, 2011 the total cost of the equipment has been reduced by the amount of $Nil (2010 - $794,184) relating to the discounting of the Agriculture and Agri-foods Canada (“AAFC”) repayable contribution to its estimated fair value, as disclosed in Note 12(iv).

Borrowing costs

During the three month period ended March 31, 2011 borrowing costs related to the AAFC repayable contribution were capitalized to the cost of equipment in the amount of $35,965 (2010 - $94,063). The proceeds of the AAFC repayable contribution were specifically attributable to the acquisition of equipment, installation and commissioning for the Company’s protein isolate production system, as disclosed in Note 12(iv).

Property, plant and equipment not available for use

As at March 31, 2011, the balance in equipment included expenditures in the amount of $47,517,917 (December 31, 2010 - $44,322,918; January 1, 2010 - $6,298,716) relating to equipment not yet available for use. As at March 31, 2011, the balance in building included expenditures in the amount of $Nil (December 31, 2010 - $Nil; January 1, 2010 - $1,069,106) relating to assets under construction. No amortization has been taken on these assets.

As at March 31, 2011, the balance in property, plant and equipment included expenditures in the amount of $2,215,697 (December 31, 2010 - $3,240,862; January 1, 2010 - $3,501,705) relating to the purchase and construction of the building and equipment which were included in the balance of trade and other payables.

(Expressed in Canadian dollars)

11. Property, plant and equipment (continued)

Change in estimates

During the year ended December 31, 2010 the Company revised its estimates of the projected residual values and useful lives associated with certain pieces of equipment, resulting in an increase in depreciation expense in the current and future years of approximately $34,000 per annum.

Security

At March 31, 2011, property with a carrying amount of $352,151 (December 31, 2010 - $352,151; January 1, 2010 - $352,151) is subject to a registered collateral mortgage held by Farm Credit Canada ("FCC") to secure borrowings, as disclosed in Note 12(i). FCC also holds a general security agreement with respect to all of the Company's assets.

12. Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings, which are measured at amortized cost. For more information regarding the Company's exposure to interest rate and liquidity risk, see Note 21.

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Current liabilities			
Current portion of secured loans	194,413	186,535	3,329,803
Current portion of unsecured loans	78,978	62,924	-
Current portion of unsecured repayable contributions	-	500,000	181,670
	273,391	749,459	3,511,473
Non-current liabilities			
Secured loans	3,963,948	4,021,868	-
Unsecured loans	221,022	237,076	300,000
Unsecured repayable contributions	2,293,844	2,257,879	241,158
	6,478,814	6,516,823	541,158

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowing were as follows:

				March 31, 2011		December 31, 2010		January 1, 2010	
	Currency	Nominal interest rate	Year of maturity	Face value $	Carrying amount $	Face value $	Carrying amount $	Face value $	Carrying amount $
Secured loan (i)	CAD	FCC variable rate + 3%	2013	4,246,641	4,158,361	4,294,037	4,208,403	3,400,700	3,329,803
Unsecured loan (ii)	CAD	Prime + 2%	2014	300,000	300,000	300,000	300,000	300,000	300,000
Unsecured repayable contribution (iii)	CAD	-	2011	-	-	500,000	500,000	500,000	422,828
Unsecured repayable contribution (iv)	CAD	-	2017	2,958,000	2,293,844	2,958,000	2,257,879	-	-
Total loans and borrowings				7,504,641	6,752,205	8,052,037	7,266,282	4,200,700	4,052,631

(Expressed in Canadian dollars)

12. Loans and borrowings (continued)

(i) Farm Credit Canada:

During the year ended December 31, 2008, the Company completed the arrangement of a $4,500,000 variable rate mortgage provided by FCC to fund the construction of the Company's commercial extraction facility. The mortgage has a 5 year term, ending November 1, 2013, and is amortized over 15 years in blended monthly instalments, including interest at the FCC variable rate plus 3%, commencing December 1, 2009. Under the terms of the mortgage, the Company has provided a $1,000,000 Letter of Credit to FCC, as a best-practices reserve against project cost contingencies, until the plant is operationally proven, after which FCC may release the reserve requirement at its own discretion (See Note 5(ii)). The facility is secured by a collateral mortgage on the property and a general security agreement with respect to the Company's assets.

	March 31, 2011	December 31, 2010
	$	$
Carrying amount, beginning of the period	4,208,403	3,329,803
Draws on the facility	-	1,084,624
Deferred financing costs	(4,500)	(21,900)
Accretion of deferred financing charges	1,853	7,163
Repayments during the period	(47,395)	(191,287)
Carrying amount, end of period	4,158,361	4,208,403

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current	3,963,948	4,021,868	-
Current	194,413	186,535	3,329,803
	4,158,361	4,208,403	3,329,803

Interest expense on the FCC mortgage totaled $72,555 for the three months ended March 31, 2011 (three months ended March 31, 2010 - $60,479).

Loan covenants

Under the terms of the mortgage, the Company must meet the following financial covenants, which are measured at the end of every fiscal year: maintain a current ratio of not less than 1.25:1; a debt to equity ratio that will not exceed 1.00:1 and a debt service coverage ratio (calculated by dividing earnings before interest, taxes and amortization by interest expense and the current portion of loans and borrowings) of not less than 2.0:1. Compliance with the debt service coverage ratio is tested annually commencing December 31, 2011. As at December 31, 2010 the Company is in compliance with the covenants. As at January 1, 2010, the Company was in breach of its debt service coverage ratio. Management informed FCC of its technical default and subsequent to January 1, 2010 the Company received a waiver of the need to comply with this covenant until December 31, 2011. As a result of the breach of the covenant at January 1, 2010 the full balance of this debt was presented as a current liability in the amount of $3,329,803.

(Expressed in Canadian dollars)

12. Loans and borrowings (continued)

(ii) Ag-West Bio Inc.:

During the year ended December 31, 2008, the Company completed the arrangement of a $300,000 deferred payment loan from Ag-West Bio Inc. ("Ag-West") to assist with the development costs for canola protein super concentrates and isolates. The loan bears interest at prime plus 2%, to a maximum of 10%, payable monthly. No payments of principal are required on the loan until a commercialization event takes place. A commercialization event is defined as any of the following; i) protein concentrate sales revenue in excess of $5,000,000 in any fiscal year, ii) initiation of protein isolate sales, iii) December 31, 2011 or iv) a change in control of the Company. Upon the occurrence of the commercialization event the loan will be repayable in 36 blended monthly instalments. The Company will pay Ag-West a royalty of 0.5% of revenues for five years, commencing in 2010, with a proviso that total payments to Ag-West through 2015 on account of principal, interest and royalties will not exceed $600,000. As at March 31, 2011, $300,000 has been drawn on the loan. The Company expects a commercialization event to occur in June 2011, therefore repayments are expected to commence in July 2011.

Interest expense and royalties on the Ag-West loan totaled $26,612 for the three months ended March 31, 2011 (three months ended March 31, 2010 - $3,187).

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current	78,978	237,076	300,000
Current	221,022	62,924	-
	300,000	300,000	300,000

(iii) Atlantic Canada Opportunities Agency:

The Company was advanced $500,000 by the Atlantic Canada Opportunities Agency ("ACOA") as a provisionally repayable contribution. The contribution becomes repayable six months after "project success," as defined in the Contribution Agreement, is achieved. The definition of project success includes any action which indicates the Company is proceeding to establish a full-scale extraction facility. During the year ended December 31, 2007, management announced its plans for the construction of an extraction facility. During the year ended December 31, 2008, the Company completed two private placements raising gross proceeds of $14,569,750. As a result of these two events, the Company informed ACOA that it believed it had achieved "Project Success" as defined in the Contribution Agreement. For accounting purposes the Company had recorded the liability under the assumption that repayments were expected to commence in July 2008, however the Company did not remit payments pending confirmation of status and payment structure with ACOA. Subsequent to December 31, 2010, ACOA requested repayment of the contribution in full as the Company was in default of the Contribution Agreement. As a result, the full balance of the contribution was presented as a current liability as at December 31, 2010. During the three months ended March 31, 2011 the Company repaid the full contribution amount of $500,000.

Interest accreted on the repayable contribution totaled $Nil for the three month period ended March 31, 2011 (three months ended March 31, 2010 - $7,184).

(Expressed in Canadian dollars)

12. Loans and borrowings (continued)

(iii) Atlantic Canada Opportunities Agency: (continued)

	March 31, 2011	December 31, 2010
	$	$
Carrying amount, beginning of the period	500,000	422,828
Interest accreted during the period	-	77,172
Repayments during the period	(500,000)	-
Carrying amount, end of period	-	500,000

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current	-	-	241,158
Current	-	500,000	181,670
	-	500,000	422,828

The estimated fair value of the loan at January 1, 2007 was $328,286, discounted at an interest rate of 10%.

(iv) Agriculture and Agri-food Canada:

During the year ended December 31, 2009, the Company completed the arrangement of a $2,958,000 repayable contribution by Agriculture and Agri-foods Canada ("AAFC"). The proceeds from the contribution were used for capital equipment, installation, and commissioning for the Company's protein isolate production system at its Saskatoon canola processing plant. The contribution is interest-free, unsecured, and is repayable in ten equal semi-annual instalments beginning April 1, 2013.

In February and March 2010, the Company completed its first two draws on the AAFC repayable contribution, in the amount of $1,341,495. In June 2010, the Company completed its final draw on the repayable contribution in the amount of $1,616,505. The carrying amount is net of the initial imputed discount based on a market rate of interest of 6.25%. As of March 31, 2011 and December 31, 2010, the principle amount is $2,958,000.

	March 31, 2011	December 31, 2010
	$	$
Carrying amount, beginning of the period	2,257,879	-
Draws on the facility	-	2,958,000
Discount to estimated fair value	-	(794,184)
Interest accreted during the period	35,965	94,063
Carrying amount, end of period	2,293,844	2,257,879

	March 31, 2011	December 31, 2010	January 1, 2010
Non-current	2,293,844	2,257,879	-
Current	-	-	-
	2,293,844	2,257,879	-

(Expressed in Canadian dollars)

12. Loans and borrowings (continued)

(iv) Agriculture and Agri-food Canada: (continued)

The repayable contribution was discounted to its estimated fair value of $2,163,816, at an interest rate of 6.25%. The interest rate was estimated based on the interest rate of other loans that the Company has obtained in the market. The balance of the loan was applied as a reduction of equipment, as disclosed in Note 11.

Borrowing costs

During the three month period ended March 31, 2011 borrowing costs related to the AAFC repayable contribution were capitalized to the cost of equipment in the amount of $35,965 (2010 - $94,063). The proceeds of the AAFC repayable contribution were specifically attributable to the acquisition of equipment, installation and commissioning for the Company's protein isolate production system, see Note 11.

Future minimum principal repayments:

Future minimum principal repayments of loans and borrowing are expected to be as follows:

	$
2012	273,391
2013	326,206
2014	4,360,964
2015	487,576
Subsequent	1,304,068
	6,752,205

13. Other liabilities

	Note	March 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
Leasehold inducement	22	20,100	26,767	47,611
Non-current		-	-	26,811
Current		20,100	26,767	20,800
		20,100	26,767	47,611

14. Trade and other payables

	Note	March 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
Trade payables		1,200,120	1,048,886	632,847
Trade payables due to related parties	24(b)	29,906	7,474	13,869
Non-trade payables and accrued expenses	25(d)	3,035,942	4,278,197	4,824,400
		4,265,968	5,334,557	5,471,116

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

(Expressed in Canadian dollars)

15. Equity

(a) Share capital:

Share capital transactions for the period were as follows:

	Three months ended March 31, 2011	Year ended December 31, 2010
	#	#
On issue, beginning of period	191,611,575	158,129,219
Issued for cash	-	27,082,500
Exercise of share options	201,250	1,266,416
Exercise of share purchase warrants	-	5,133,440
On issue, end of period	191,812,825	191,611,575

Issuance of common shares

(i) *Public Offering:*
On March 30, 2010 the Company closed a public offering for the issuance of 9,372,500 common shares at $1.85 per share for gross proceeds of $17,339,125. The Company paid a cash commission of 6% of the gross proceeds, or $1,040,348 as an underwriting fee. All issued shares are fully paid.

(ii) *Public Offering:*
On August 24, 2010 the Company closed a public offering for the issuance of 15,400,000 common shares at $1.95 per share for gross proceeds of $30,030,000. The Company paid a cash commission of 6% of the gross proceeds, or $1,801,800 as an underwriting fee. All issued shares are fully paid.

(iii) *Public Offering – over-allotment:*
On September 2, 2010 the Company closed a 15% over-allotment relating to the August 24, 2010 public offering for the issuance of 2,310,000 common shares at $1.95 per share for gross proceeds of $4,504,500. The Company paid a cash commission of 6% of the gross proceeds, or $270,270 as an underwriting fee. All issued shares are fully paid.

(iv) *Exercise of share options:*
During the three months ended March 31, 2011, 201,250 common shares were issued as a result of the exercise of vested share options arising from the Company's incentive share option plan (2010 – 1,266,416). The share options were exercised at a weighted average exercise price of $0.34 per option (2010 - $0.32). All issued shares are fully paid.

(v) *Exercise of share purchase warrants:*
During the year-ended December 31, 2010, 5,133,440 common shares were issued as a result of the exercise of share purchase warrants. The warrants were exercised at a weighted average exercise price of $0.42 per warrant. All issued shares are fully paid.

The Company has issued share options, as disclosed in Note 17.

(Expressed in Canadian dollars)

15. Equity (continued)

(b) *Common shares and preferred shares:*

As at March 31, 2011 and December 31, 2010 the authorized share capital of the Company was comprised of an unlimited number of common shares; an unlimited number of non-voting, 3% cumulative, non-retractable, convertible, redeemable, Class A preferred shares; and an unlimited number of Class B, C, D and E preferred shares. All issued and authorized share capital have no par value.

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the shareholders of the Company. The Company does not presently have any issued Class A, B, C, D or E preferred shares.

(c) *Escrowed shares:*

Pursuant to escrow agreements to which the Company and certain shareholders of the Company are parties, the following holdings are subject to escrow provisions:

(i) 1,008,168 of the Company's common shares, with an initial 10% released on the issuance of the final Exchange bulletin ("Initial Release"), and an additional 15% to be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release; and

(ii) 17,745,071 of the Company's common shares, with an initial 2.5% released fifteen days after the Initial Release; 2.5% released thirty days after the Initial Release; 5% released on completion of a bona fide commercial contract or contracts supporting the implementation of a full-size extraction facility; 15% released on the later of the 6 month anniversary of the Initial Release or upon completion of financing for the aforementioned commercial extraction facility; 15% released on the later of the 12 month anniversary of the Initial Release or upon the start-up of the aforementioned commercial extraction facility; 15% released on the later of the 18 month anniversary of the Initial Release or upon the achievement of operating breakeven of the aforementioned commercial extraction facility; and 15% released on the dates that are 24 months, 30 months and 36 months following the Initial Release.

During the three months ended March 31, 2011, the Company's Board of Directors approved the release of 186,348 shares from escrow. As at March 31, 2011, 2,472,750 (March 31, 2010 – 5,414,951) shares remained in escrow. Pursuant to IAS 33 *Earnings Per Share*, the loss per share calculation excludes 2,472,750 (March 31, 2010 – 2,659,094) escrowed shares which will be released upon meeting the condition of the operating breakeven of the commercial extraction facility.

(d) *Warrants:*

Share purchase warrant transactions for the period were as follows:

	Three months ended March 31, 2011		Year ended December 31, 2010	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of period	-	-	5,133,440	0.42
Exercise of share purchase warrants	-	-	(5,133,440)	0.42
Balance, end of period		-	-	-

(Expressed in Canadian dollars)

15. Equity (continued)

(e) *Contributed surplus:*

Contributed surplus is comprised of the Company's gain, in prior years, on the redemption of its Class A preferred shares which were previously classified as a non-controlling interest. The balance also includes the cumulative grant date fair value of expired share purchase warrants and expired share options as well as the cumulative amount of previously expensed and unexercised equity-settled share-based payment transactions.

16. Earnings per share

(a) *Basic earnings per share:*

The calculation of basic earnings per share at March 31, 2011 was based on the loss attributable to common shareholders of ($3,863,767) (March 31, 2010 – ($4,090,029)), and a weighted average number of common shares outstanding of 189,194,463 (March 31, 2010 – 159,627,704), calculated as follows:

	Note	For the three months ended March 31, 2011	March 31, 2010
		#	#
Issued common shares, beginning of period	15(a)	191,611,575	158,129,219
Effect of contingently issuable escrowed shares	15(c)	(2,659,098)	(2,659,098)
Effect of shares release from escrow	15(c)	132,514	-
Effect of public offering	15(a)(i)	-	104,139
Effect of share options exercised		109,472	364,449
Effect of warrants exercised		-	3,688,995
Weighted average number of common shares, end of period		189,194,463	159,627,704

(b) *Diluted earnings per share:*

The calculation of diluted earnings per share at March 31, 2011 was based on the loss attributable to common shareholders of ($3,863,767) (March 31, 2010 – ($4,090,029)), and a weighted average number of common shares outstanding of 189,194,463 (March 31, 2010 – 159,627,704), calculated as follows:

	Note	March 31, 2011	March 31, 2010
		#	#
Weighted average number of common shares (basic)	16(a)	189,194,463	159,627,704
Effect of share options on issue		-	-
Effect of warrants on issue		-	-
Weighted average number of common shares (diluted), end of period		189,194,463	159,627,704

At March 31, 2011 and 2010, the calculation of diluted earnings per share excluded the effect of potential ordinary shares (share options and share purchase warrants) as their inclusion would have been anti-dilutive.

(Expressed in Canadian dollars)

17. Share-based payments

The Company has an incentive share option plan (the “Plan”) whereby the Company may grant to directors, officers, employees and consultants options to purchase Common Shares of the Company. Subject to applicable regulations and annual shareholder approval, the Plan provides for the issuance of share options to acquire up to 10% of the Company’s issued and outstanding common shares, on a rolling basis for a maximum term of 5 years. Subject to applicable regulations, the terms and conditions, including pricing, term, and vesting of each option granted under the Plan are determined by the Board of Directors.

(a) Share option transactions for the period:

Share options transactions for the period were as follows:

	Three months ended March 31, 2011		Year ended December 31, 2010	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	#	$	#	$
Balance, beginning of period	11,976,856	1.07	9,113,314	0.48
Share options granted	436,000	2.39	4,332,000	2.09
Exercise of share options	(201,250)	0.34	(1,266,416)	0.32
Share options expired	(23,958)	1.96	(3,752)	0.67
Share options forfeited	(92,084)	2.38	(198,290)	1.40
Balance, end of period	12,095,564	1.11	11,976,856	1.07

The weighted average closing share price on the date of exercise for options exercised was $2.29 (2010 - $2.30).

(b) Share options outstanding at March 31, 2011:

	Options outstanding			Options exercisable		
Range of exercise prices $	Number #	Weighted average exercise price $	Weighted average contractual life (Years)	Number #	Weighted average exercise price $	Weighted average contractual life (Years)
0.25 - 1.00	7,186,648	0.46	2.21	5,746,079	0.39	1.95
1.01 - 2.00	655,000	1.65	3.17	395,202	1.59	2.59
2.01 - 2.53	4,253,916	2.14	3.99	932,911	2.05	3.81
	12,095,564	1.11	2.89	7,074,192	0.68	2.23

(Expressed in Canadian dollars)

17. Share-based payments (continued)

(c) Fair value of share options granted during the period: (continued)

The grant date fair value of each share option granted was measured using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted average inputs used in the measurement of the fair values at the grant date of the share options are as follows:

	Three Months Ended March 31, 2010	Year Ended December 31, 2010
Exercise price	$2.39	$2.09
Grant date share price	$2.39	$2.07
Risk-free interest rate	2.55%	2.63%
Expected life	5 years	5 years
Annualized volatility	98%	108%
Dividend rate	0%	0%
Grant date fair value	$1.77	$1.62

The options granted vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on first day of the 24 months following the date of grant. For the year ended December 31, 2010, the same vesting conditions existed except for 1,675,000 options which were granted to officers and senior management, which vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on the first day of the 24 months following the date of the first commercial protein isolate shipment from the Company's Saskatoon facility. For options granted to new employees, vesting does not begin until 90 days after the start of employment.

(d) Classification of share-based compensation by function:

The Company separately discloses share-based compensation in the unaudited interim consolidated statement of loss and comprehensive loss. Disclosure of share-based compensation by function for the three months ended is as follows:

Allocation by function:	March 31, 2011	March 31, 2010
	$	$
Cost of goods sold	106,963	160,550
Other general and administrative expenses	821,365	902,676
Research and development	11,621	33,917
Sales and marketing	156,901	282,543
	1,096,850	1,379,686

(Expressed in Canadian dollars)

18. Finance costs

	Note	Three months ended March 31, 2011	Three months ended March 31, 2010
		$	$
Interest on loans and borrowings	12	99,167	70,851
Accretion of deferred financing charges	12	1,853	1,356
Finance costs recognized in profit or loss		101,020	72,207

19. Changes in non-cash working capital balances

Changes in non-cash working capital balances consist of the following for the three months ending:

	March 31, 2011	March 31, 2010
	$	$
Trade and other receivables	(464,305)	175,494
Investment tax credits receivable	(14,961)	273,887
Other assets	11,910	(31,418)
Inventories	(101,415)	52,744
Trade and other payables	153,731	1,007,974
Derivative instruments	(53,016)	-
	(468,056)	1,478,681

20. Supplemental cash flow information

Supplemental cash flow information consist of the following for the three months ending:

	Note	March 31, 2011	March 31, 2010
		$	$
Change in accrued intangible asset expenditures		58,555	109,759
Change in accrued equipment deposit expenditures		164,934	54,012
Change in accrued property, plant and equipment expenditures		1,025,165	3,278,833
Change in equipment deposits and prepaid property, plant and equipment expenditures		623	2,766,020
Investment tax credit applied as a reduction of equipment	7(ii)	182,863	700,110
SR&ED credit applied as a reduction of equipment	7(i)	9,443	-
Loan discount applied as a reduction of plant equipment	12(iv)	-	367,757
Borrowing costs capitalized to plant equipment	12(iv)	35,965	1,083

21. Financial instruments

The Company's risk exposures and the impact on the financial instruments are summarized below. There have been no changes to the risks, objectives, policies and procedures during the year ended December 31, 2010 and the three months ended March 31, 2011.

(a) Credit risk:

Financial risk factors

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

.

The Company's credit risk is primarily attributable to cash, restricted cash, restricted investment, receivables and equipment deposits. At March 31, 2011, December 31, 2010 and January 1, 2010, all of the Company's trade receivables were with one customer. As the Company continues to ramp up production and revenues at its commercial extraction facility, depending on the specific product mix in sales from time to time, the Company may face customer concentrations ranging from 30% to 100% of periodic revenues. The Company monitors the credit risk and credit standing of its customers on a regular basis.

Cash and restricted cash are generally invested in cash accounts held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank. Restricted investments are short-term interest-bearing securities issued by a Canadian chartered bank. Management believes the risk of loss associated with these assets to be remote.

Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable and expects further concentration reductions as production volumes, sales, and product varieties grow.

During the course of development and construction of its facilities, the Company is from time to time required to make progress payments to vendors against certain equipment purchases in advance of the delivery of such equipment by the vendors, thus exposing the Company to the credit risk of the vendor during the fabrication period. Such purchase structures are common in these situations, and the Company looks to mitigate associated risk by selecting large and reputable vendors with strong track records, diversifying purchases across vendors, and managing schedules to minimize fabrication time.

Customer Concentration

For the three months ended March 31, 2011 and the year ended December 31, 2010, 100% of the Company's sales and trade receivables were derived from one customer, who acts as a distributor of the Company's canola oil and canola meal products. Should this customer substantially curtail its dealings with the Company, management is of the opinion that the Company would not be materially adversely affected. Canola oil and meal are commodities, freely saleable in commodity markets, subject to prices in effect at the time. In the event that the customer substantially curtailed its dealings with the Company, management would seek replacement contracts with other market participants relating to brokering the products to market, or alternatively the Company may choose to perform this task internally. In addition, as the Company introduces other planned products to market, such as its canola proteins, the dependence on the current oil and meal customer would be correspondingly reduced.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(Expressed in Canadian dollars)

21. Financial instruments (continued)

(a) Credit risk: (continued)

Exposure to credit risk (continued)

	Note	Carrying Amount March 31, 2011	Carrying Amount December 31, 2010	Carrying Amount January 1, 2010
		$	$	$
Cash	4	7,762,063	16,628,725	14,101,171
Restricted cash	5	32,946	78,868	-
Restricted investment	5	1,000,000	1,000,000	1,000,000
Trade receivables	6	994,475	309,320	590,915
		9,789,484	18,016,913	15,692,086

Impairment losses

The aging of trade receivables at the reporting date was:

	March 31, 2011		December 31, 2010		January 1, 2010	
	Carrying Amount	Gross Impairment	Carrying Amount	Gross Impairment	Carrying Amount	Gross Impairment
	$	$	$	$	$	$
Not past due	666,731	-	246,326	-	522,570	-
Past due 0–30 days	243,392	-	33,069	-	68,345	-
Past due 31–120 days	84,352	-	29,925	-	-	-
	994,475	-	309,320	-	590,915	-

The average credit period for the Company's sales is 30 days. Included in trade receivables are receivables with a carrying value of $327,744 (December 31, 2010 - $62,994; January 1, 2010 - $68,345) that are past due but have not been provided for. Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of these trade receivables. The past due receivables are considered fully recoverable.

(b) Liquidity risk:

Financial risk factors

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Expressed in Canadian dollars)

21. Financial instruments (continued)

(b) Liquidity risk: (continued)

Financial risk factors *(continued)*

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses and capital expenditures, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted. In addition, the Company maintains the following line of credit:

- $2,500,000 operating line of credit to fund working capital requirements. Interest is payable at the bank's prime rate plus 1.5% and is primarily secured by the Company's trade receivables and inventories as well as a general security agreement covering the Company's remaining assets (subject to FCC's first priority), as disclosed in Note 25(b).

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest:

March 31, 2011

	Carrying Amount	Contractual Cash Flows	1 year or less	1-2 years	3-5 years	More than 5 years
	$	$	$	$	$	$
Non-derivative financial liabilities						
Secured loans	4,158,361	(4,977,957)	(489,185)	(4,488,772)	-	-
Unsecured loans	300,000	(323,148)	(89,763)	(215,432)	(17,953)	-
Unsecured repayable contributions	2,293,844	(2,958,000)	-	(591,600)	(1,774,800)	(591,600)
Trade and other payables	4,265,968	(4,265,968)	(4,265,968)			
	11,018,173	(12,525,073)	(4,844,916)	(5,295,804)	(1,792,753)	(591,600)

December 31, 2010

	Carrying Amount	Contractual Cash Flows	1 year or less	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$
Non-derivative financial liabilities						
Secured loans	4,208,403	(4,859,744)	(482,980)	(4,376,764)	-	-
Unsecured loans	300,000	(323,147)	(71,811)	(215,432)	(35,904)	-
Unsecured repayable contributions	2,757,879	(3,458,000)	(500,000)	(591,600)	(1,774,800)	(591,600)
Trade and other payables	5,334,557	(5,334,557)	(5,334,557)	-	-	-
Derivative financial liabilities						
Commodity futures contracts	53,016	(53,016)	(53,016)	-	-	-
	12,653,855	(14,028,464)	(6,442,364)	(5,183,796)	(1,810,704)	(591,600)

It is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

21. Financial instruments (continued)

(c) Currency risk:

Financial risk factors

The Company is subject to foreign exchange risk as certain purchases are made in US dollars and Euros ("€"). The Company is therefore subject to gains and losses due to fluctuations in the US dollar and Euro relative to the Canadian dollar.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	March 31, 2011		December 31, 2010		January 1, 2010	
	USD	Euro	USD	Euro	USD	Euro
	$	€	$	€	$	€
Cash and cash equivalents	131,699	-	-	-	1,158,644	-
Trade and other payables	(105,369)	(108,936)	(203,827)	(123,888)	(721,349)	-
Derivative liabilities	-	-	(53,304)	-	-	-
Net exposure	26,330	(108,936)	(257,131)	(123,888)	437,295	

Sensitivity analysis

A strengthening of the Canadian dollar, as indicated below, against the Euro and US dollar at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This sensitivity analysis is based on financial instruments not denominated in the functional currency of the Company.

	10% weakening of the currency in relation to the CAD FX Rate	10% strengthening of the currency in relation to the CAD FX Rate
March 31, 2011		
US dollar	(3,000)	3,000
Euro	15,000	(15,000)
December 31, 2010		
US dollar	30,000	(30,000)
Euro	20,000	(20,000)
January 1, 2010		
US dollar	(44,000)	44,000
Euro	-	-

(Expressed in Canadian dollars)

21. Financial instruments (continued)

(d) Interest rate risk:

Financial risk factors

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in cash accounts or short-term interest-bearing securities issued by Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has interest bearing debt with rates that fluctuate with the prevailing prime lending rate in Canada from time to time. The Company closely monitors interest rates to determine the appropriate course of action to be taken by the Company.

Profile of variable rate interest bearing financial instruments

At the reporting date the interest rate profile of the Company's variable rate interest-bearing financial instruments was:

	Carrying amount	
Variable rate instruments	**March 31, 2011**	**December 31, 2010**
Financial assets	7,762,063	16,628,725
Financial liabilities	(4,458,361)	(4,594,037)
	4,458,361	12,034,688

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below.

	100 bp increase	**100 bp decrease**
March 31, 2011	44,584	(44,584)
December 31, 2010	120,347	(120,347)

(e) Price risk:

Financial risk factors

The Company is exposed to price risk in respect of its purchase of canola seed for processing, and its sales of canola oil and canola meal. This exposure is typically quantified in an industry standard margin measurement called Crush Margin. Conceptually, Crush Margin is a representation of the per metric tonne excess of commodity output revenues (from oil and meal sales) less input costs (from seed purchases). Pricing of these commodities is determined in real time in actively trading commodity markets, and as such the Company is a "price taker" and has no control or influence over the Crush Margin. When Crush Margins increase, the Company's processing margin increases, and when Crush Margins fall, the Company's processing margin falls. It is not presently possible to quantify the dollar exposure of the Company to Crush Margins, since this is dependent on production volumes and as the Company proceeds through the ramp-up of the various phases of its Saskatoon facility, these production volumes will be variable.

21. Financial instruments (continued)

(e) Price risk: (continued)

Financial risk factors (continued)

The Company does not generally hedge the Crush Margin, but rather attempts to lock in seed prices and oil and meal prices within the same future price window to avoid temporal mismatching of pricing of the underlying commodities. In certain cases, the Company accepts longer term sales orders where pricing fluctuates with posted market rates, over the term of the order. As part of its commodity price risk management strategy to fix the Crush Margin at the time the order is accepted, the Company may purchase the seed required to fulfil the order at a fixed price and will also enter into an offsetting futures contract that is intended to mitigate exposure to the future fluctuation in commodity sales prices under that sales order.

At the time the price of the delivery is fixed, the appropriate amount of the futures contract is unwound and the gain or loss on the physical delivery should be substantially offset by an opposing loss or gain on the futures contract. The nature of such risk management arrangements is that they cannot generally provide perfect protection, but if well implemented, can provide a substantial mitigation of interim pricing risk. Since these contracts are not accounted for as hedges, the unrealized gain or loss on these contracts has been recorded in profit or loss. During the three months ended March 31, 2011 the Company realized gains of $7,266 (three months ended March 31, 2010 - $Nil) on the settlement of the commodity futures contracts. As at March 31, 2011, the Company was not party to any commodity futures contracts. The fair value of the unrealized loss on the commodity futures contracts as at December 31, 2010 was $53,016 (USD$53,304). The realized and unrealized losses on commodity futures contracts have been presented as a component of revenue in the statement of comprehensive loss.

(f) Operational risk

Financial risk factors

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes such as the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity, interest rate, foreign currency and price risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of Company standards for the management of operational risk in the following areas, including but not limited to the following:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards and policies
- risk mitigation initiatives

21. Financial instruments (continued)

(g) Fair value of financial instruments

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for trade and other receivables, trade and other payables and the current portion of loans and borrowings on the statement of financial position approximate fair market value because of the limited term of these instruments. The fair value of the non-current portion of loans and borrowings approximates its carrying value.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at March 31, 2011, the Company's financial instruments that are carried at fair value, consisting of the restricted investment have been classified as Level 2 within the fair value hierarchy.

As at December 31, 2010, the Company's financial instruments that are carried at fair value, consisting of the restricted investment and derivative instruments have been classified as Level 2 within the fair value hierarchy.

As at January 1, 2010, the Company's financial instruments that are carried at fair value, consisting of the restricted investment have been classified as Level 2 within the fair value hierarchy.

(h) Capital management

The capital structure of the Company consists of debt and equity. The equity is attributable to shareholders and includes common shares and equity reserves. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its plant operations, research and development activities, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents, trademarks and the construction and operation of canola processing facilities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

As the Company is currently in the initial operating stages of its development phase, it is dependent on external financing to fund its activities. In order to carry out its business plan, the Company will spend its existing working capital and attempt to raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2011 or the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements, other than the FCC mortgage covenants and FCC Letter of Credit as disclosed in Note 12(i) and the Line of Credit as disclosed in Note 25(b).

(Expressed in Canadian dollars)

22. Operating leases

Non cancellable operating lease rentals are payable approximately as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Less than 1 year	223,000	263,000	194,000
Between 1 and 5 years	24,000	37,000	192,000
More than 5 years	1,000	-	-
	248,000	300,000	386,000

The Company is committed to a minimum amount of rental payments under leases relating to one of its offices as well as a warehouse. Under the terms of the office lease, which expires on December 31, 2011, the Company is also responsible for its proportionate share of operating costs.

The Company is also committed to a minimum amount of rental payments under long-term leases of certain equipment which expire between February 2012 and July 2016.

During the three month period ended March 31, 2011 an amount of approximately $136,000 was recognized as an expense in profit or loss in respect of operating leases (three months ended March 31, 2010 - $80,000).

23. Operating segments

The Company presently has one operating segment comprised of its commercial extraction facility in Saskatchewan, Canada. The Company derives all of its operating revenues from these operations. As operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

24. Related parties

(a) Subsidiaries

Details of the Company's subsidiaries at the reporting date are as follows:

		Ownership interest		
	Country of Incorporation	March 31, 2011	December 31, 2010	January 1, 2010
BioExx Proteins of Saskatoon Inc.	Canada	100%	100%	100%
BioExx Proteins of North Dakota Inc.	US	100%	100%	-
Bio-Extraction Ltd. (i)	Canada	97.3%	97.3%	97.3%
MGA Holdings Ltd. (i)	Channel Islands	97.3%	97.3%	97.3%

(i) As at March 31, 2011, December 31, 2010 and January 1, 2010 the loss attributable to the 2.7% non-controlling interest of Bio-Extraction Ltd. and its wholly-owned subsidiary MGA Holdings Ltd is not considered significant.

(Expressed in Canadian dollars)

24. Related parties (continued)

(b) Transactions with key management personnel

Amounts due to related parties:

Included in trade and other payables is $29,906 (December 31, 2010 - $7,474; January 1, 2010 - $13,869) due to directors and officers of the Company relating to reimbursements for employment expenses. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation:

The remuneration of directors and other members of key management personnel during the period ended were as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	$	$
Short-term employee benefits	141,395	142,991
Share-based payments (i)	404,442	570,733
	545,837	713,724

(i) The options granted vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on first day of the 24 months following the date of grant, except for 1,200,000 options which were granted to officers, which vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on the first day of the 24 months following the date of the first commercial protein isolate shipment from the Company's Saskatoon facility. As at March 31, 2011 and December 31, 2010 the 1,200,000 options granted to officers had not commenced vesting.

(ii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the periods ended.

Key management personnel and director transactions:

During the three months ended March 31, 2011, a fee in the amount of $Nil (year ended December 31, 2010 - $25,000) was paid to a corporation of which one of the Company's directors is an officer. The amount related to work in regard to the provision of potential future financing to the Company. As the likelihood of that financing was not determinable, the amount has been expensed to other general and administrative expenses.

25. Commitments and contingencies

(a) The Company has an available overdraft facility in the amount of $100,000 that was unused as at January 1, 2010, December 31, 2010 and March 31, 2011.

25. Commitments and contingencies (continued)

(b) During the year ended December 31, 2008, the Company completed the arrangement of a variable rate $2,500,000 operating line of credit (the "Line"), provided by the Bank of Montreal ("BMO") to fund growth in working capital requirements once the Company's commercial extraction facility is in production. Interest is payable monthly at the Bank's prime rate plus 1.5%. The facility is subject to 75% margin conditions against accounts receivable and inventory. The facility is primarily secured by the accounts receivable and inventory as well as a general security agreement covering the Company's remaining assets (subject to FCC's first priority). Draws upon the Line and maintenance of the Line are subject to fulfillment by the Company of standard conditions and compliance by the Company with customary credit covenants. In addition, BMO provided a $1,000,000 Letter of Credit, in favour of FCC, as a vehicle for the FCC contingency reserve as stated in Note 12(i). The Letter of Credit is subject to an annual commission rate of 1.2%, and will be collapsed when the contingency reserve requirement is waived by FCC. As at March 31, 2011, the Company had a limit of $508,000 available on the Line (December 31, 2010 - $108,000; January 1, 2010 - $428,000), with $37,629 drawn against that balance (December 31, 2010 - $Nil; January 1, 2010 - $Nil). Subsequent to March 31, 2011, FCC agreed to release the $1,000,000 contingency reserve, and as a result the $1,000,000 Letter of Credit was terminated, as disclosed in Note 26(f).

(c) As at March 31, 2011, the Company is committed to plant and equipment expenditures totaling approximately $1,333,000 (December 31, 2010 - $956,000; January 1, 2010 - $3,275,000). See Notes 8(i) and 11.

(d) The Company has committed to purchasing an annual amount of 40,000 metric tonnes ("MT") of canola seed from a distributor for a period of 6 years plus 2 consecutive renewal terms of 2 years, commencing December 1, 2009. The canola is used for processing at the Company's Saskatoon plant. The price is determined at a rate that varies with the market price of canola when purchased. Under the terms of the agreement with the distributor, should the Company not purchase the minimum amount in each annual period, the Company will have to pay a penalty calculated as $12 per MT of canola for each MT under the minimum amount. As at November 30, 2010, the Company had taken delivery of approximately 10,000 MT of canola seed for the annual period commencing December 1, 2009.

Under the terms of the agreement, the Company has accrued a penalty in the amount of $360,000 based on a calculated delivery shortfall of approximately 30,000 MT of canola seed. The penalty has been presented as a component of plant commissioning and start-up expenses in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2010.

As at March 31, 2011, the Company had taken delivery of approximately 3,000 MT of Canola seed relating to the annual period commencing December 1, 2010.

(e) The Company is defending a claim by Allmax Nutrition Inc. for trademark infringement relating to the Company's Isolexx trademark. The Company denies the allegations and as such has filed a counterclaim. The Company has not recorded a provision for this contingency since the likelihood and amount of any potential gain or loss cannot be reasonably estimated. Management does not expect any gain or loss to be material.

(f) The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.

(g) From time to time, the Company enters into agreements in the normal course of operations. By their nature, these agreements provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically the Company has made no payments in connection with these indemnification provisions.

26. Subsequent events

Subsequent to March 31, 2011, the following transactions occurred:

(a) The Company granted 323,500 stock options with a weighted average exercise price of $1.72 and a weighted average expiry of 5 years. The options granted vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on first day of the 24 months following the date of grant. For options granted to new employees, vesting does not begin until 90 days after the start of employment.

(b) The Company committed to equipment expenditures totaling approximately $2,946,000.

(c) The Company issued 368,135 common shares as a result of the exercise of 368,135 stock options at a weighted average exercise price of $0.44 for gross proceeds of $162,968.

(d) A total of 3,125 unvested stock options were forfeited with a weighted average exercise price of $1.43.

(e) The Company purchased and received delivery of approximately 2,900 MT of canola seed pursuant to the contract for its extraction facility as disclosed in Note 25(d).

(f) FCC agreed to release the requirement of the $1,000,000 best-practices reserve as disclosed in Notes 5(ii) and 12(i), and as a result the $1,000,000 Letter of Credit was terminated.

(g) The Company received a full refund of the investment tax credits accrued during 2010, including interest, in the amount of $2,329,098, as disclosed in Note 7(ii).

27. Explanation of Transition to International Financial Reporting Standards

As stated in Note 2(a), these are the Company’s first interim consolidated financial statements prepared in accordance with IFRS.

The accounting policies disclosed in Note 3 have been applied in preparing these unaudited interim consolidated financial statements for three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company’s date of transition to IFRS) and the statement of financial position as at December 31, 2010, including application of IFRS 1.

IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS as of the reporting date. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Details of the Company’s initial elections of IFRS 1 exemptions are disclosed in Note 27(a).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company’s financial position, loss and comprehensive loss and cash flows is set out in the following tables and notes that accompany the tables.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of financial position and shareholders' equity

	Note	January 1, 2010 Canadian GAAP	January 1, 2010 Effect of transition to IFRS	January 1, 2010 IFRS	December 31, 2010 Canadian GAAP	December 31, 2010 Effect of transition to IFRS	December 31, 2010 IFRS
		$	$	$	$	$	$
Assets							
Current assets							
Cash		14,101,171	-	14,101,171	16,628,725	-	16,628,725
Restricted cash		-	-	-	78,868	-	78,868
Trade and other receivables		1,312,904	-	1,312,904	717,405	-	717,405
Investment tax credits receivable		1,020,114	-	1,020,114	2,626,706	-	2,626,706
Other assets		74,094	-	74,094	95,979	-	95,979
Inventories		198,715	-	198,715	164,113	-	164,113
Total current assets		16,706,998	-	16,706,998	20,311,796	-	20,311,796
Non-current assets							
Other assets		4,260,483	-	4,260,483	909,998	-	909,998
Intangible assets	27(c)(iii)	583,505	67,684	651,189	757,311	95,652	852,963
Property, plant and equipment	27(c)(ii), (iii)	20,261,267	(100,027)	20,161,240	63,155,737	(25,930)	63,129,807
Restricted investment		1,000,000	-	1,000,000	1,000,000	-	1,000,000
Total non-current assets		26,105,255	(32,343)	26,072,912	65,823,046	69,722	65,892,768
Total assets		42,812,253	(32,343)	42,779,910	86,134,842	69,722	86,204,564

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of financial position and shareholders' equity (continued)

		January 1, 2010			December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$	$	$	$
Equity and liabilities							
Current liabilities							
Loans and borrowings	27(c)(iv)	377,382	3,134,091	3,511,473	749,459	-	749,459
Trade and other payables		5,471,116	-	5,471,116	5,334,557	-	5,334,557
Derivative instruments		-	-	-	53,016	-	53,016
Other liabilities		20,800	-	20,800	26,767	-	26,767
Total current liabilities		5,869,298	3,134,091	9,003,389	6,163,799	-	6,163,799
Non-current liabilities							
Loans and borrowings	27(c)(iv)	3,675,249	(3,134,091)	541,158	6,516,823	-	6,516,823
Other liabilities		26,811	-	26,811	-	-	-
Total non-current liabilities		3,702,060	(3,134,091)	567,969	6,516,823	-	6,516,823
Total liabilities		9,571,358	-	9,571,358	12,680,622	-	12,680,622
Equity							
Share capital		46,723,916	-	46,723,916	98,385,117	-	98,385,117
Equity reserves	27(c)(i)	3,501,304	(14,648)	3,486,656	7,108,597	(62,394)	7,046,203
Deficit		(16,984,325)	(17,695)	(17,002,020)	(32,039,494)	132,116	(31,907,378)
Total equity		33,240,895	(32,343)	33,208,552	73,454,220	69,722	73,523,942
Total equity and liabilities		42,812,253	(32,343)	42,779,910	86,134,842	69,722	86,204,564

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of financial position and shareholders' equity (continued)

		March 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Assets				
Current assets				
Cash		21,512,694	-	21,512,694
Restricted cash		108,429	-	108,429
Trade and other receivables		1,137,410	-	1,137,410
Investment tax credits receivable		1,446,337	-	1,446,337
Other assets		105,512	-	105,512
Inventories		145,971	-	145,971
Total current assets		24,456,353	-	24,456,353
Non-current assets				
Other assets		3,868,341	-	3,868,341
Intangible assets	27(c)(iii)	615,603	67,430	683,033
Property, plant and equipment	27(c)(ii), (iii)	33,063,472	(98,303)	32,965,169
Restricted investments		2,400,000	-	2,400,000
Total non-current assets		39,947,416	(30,873)	39,916,543
Total assets		64,403,769	(30,873)	64,372,896

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of financial position and shareholders' equity (continued)

	Note	March 31, 2010 Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Equity and liabilities				
Current liabilities				
Loans and borrowings		468,163	-	468,163
Trade and other payables		9,602,791	-	9,602,791
Other liabilities		22,300	-	22,300
Total current liabilities		10,093,254	-	10,093,254
Non-current liabilities				
Loans and borrowings		5,599,330	-	5,599,330
Other liabilities		20,100	-	20,100
Total non-current liabilities		5,619,430	-	5,619,430
Total liabilities		15,712,684	-	15,712,684
Equity				
Share capital		65,334,272	-	65,334,272
Equity reserves	27(c)(i)	4,453,335	(34,946)	4,418,389
Deficit		(21,096,522)	4,073	(21,092,449)
Total equity		48,691,085	(30,873)	48,660,212
Total equity and liabilities		64,403,769	(30,873)	64,372,896

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of loss and comprehensive loss for the three months ended March 31, 2010

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Operations				
Revenue		1,695,668	-	1,695,668
Cost of goods sold		(2,530,042)	-	(2,530,042)
Gross loss		(834,374)		(834,374)
Share-based compensation	27(c)(i)	(1,399,984)	20,298	(1,379,686)
Other general and administrative expenses	27(c)(iii)	(891,877)	387	(891,490)
Research and development expenses		(888,541)	-	(888,541)
Sales and marketing expenses		(53,640)	-	(53,640)
Results from operating activities		(4,068,416)	20,685	(4,047,731)
Finance income		29,509	-	29,509
Finance costs	27(c)(ii)	(73,290)	1,083	(72,207)
Net finance costs		(43,781)	1,083	(42,698)
Net loss and comprehensive loss		(4,112,197)	21,768	(4,090,429)
Earnings (loss) per share				
Basic		(0.03)	-	(0.03)
Diluted		(0.03)	-	(0.03)

Material adjustments to the Statement of Cash Flows for the three months ended March 31, 2010

Consistent with the Company's accounting policy under IAS 7, *Statement of Cash Flows*, interest paid and received have been moved to the body of the *Statement of Cash Flows*, whereas it was previously disclosed as supplementary information. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of loss and comprehensive loss for the year ended December 31, 2010

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Operations				
Revenue		3,268,235	-	3,268,235
Cost of goods sold		(6,568,209)	-	(6,568,209)
Gross loss		(3,299,974)		(3,299,974)
Share-based compensation	27(c)(i)	(4,382,783)	47,746	(4,335,037)
Other general and administrative expenses	27(c)(iii)	(3,625,852)	8,002	(3,617,850)
Research and development expenses		(1,949,752)	-	(1,949,752)
Plant commissioning and start-up expenses		(1,117,624)	-	(1,117,624)
Sales and marketing expenses		(351,728)	-	(351,728)
Results from operating activities		(14,727,713)	55,748	(14,671,965)
Finance income		141,892	-	141,892
Finance costs	27(c)(ii)	(469,348)	94,063	(375,285)
Net finance costs		(327,456)	94,063	(233,393)
Net loss and comprehensive loss		(15,055,169)	149,811	(14,905,358)
Earnings (loss) per share				
Basic		(0.09)	-	(0.09)
Diluted		(0.09)	-	(0.09)

Material adjustments to the Statement of Cash Flows for 2010

Consistent with the Company's accounting policy under IAS 7, *Statement of Cash Flows*, interest paid and received have been moved to the body of the *Statement of Cash Flows*, whereas it was previously disclosed as supplementary information. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

27. Explanation of Transition to International Financial Reporting Standards (continued)

Set forth in the table below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

(a) Initial elections upon adoption of IFRS

Area of IFRS	Summary of Applicable Exemptions Available
Share-Based Payments	**Choices:** The Company may elect not to apply IFRS 2, *Share-Based Payments*, to equity instruments which vested before the Company's date of transition to IFRS. **Policy selection:** The Company elected to apply IFRS 2 to equity instruments which vested before the Company's date of transition to IFRS.
Borrowing Costs	**Choices:** The Company may elect to apply IAS 23, *Borrowing Costs*, prospectively from the date of transition. IAS 23 requires the retrospective application relating to the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. **Policy selection:** The Company elected to apply IAS 23 prospectively from the date of transition to IFRS.
Leases	**Choices:** The Company may elect to apply International Financial Reporting Interpretations Committee ("IFRIC") 4, *Determining whether an Arrangement contains a Lease*, prospectively from the date of transition, thereby determining whether the Company has any arrangements that exist at the date of transition to IFRS that contain a lease on the basis of facts and circumstances existing at the transition date. **Policy selection:** The Company elected to apply IFRIC 4 prospectively from the date of transition to IFRS.

(b) Mandatory exceptions upon adoption of IFRS

<u>*Estimates*</u>

In applying IFRS upon initial adoption, hindsight is not used to create or revise estimates. Estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

(c) Impact on accounting policies upon adoption of IFRS

The key areas where the Company has identified that accounting policies differ, or where accounting policy decisions were necessary that impacted the Company's interim consolidated financial statements, are discussed below. Note that this does not include the impact of transition policy choices made under IFRS 1, disclosed in Note 27(a).

(i) Share based-payments:

Choices: There are no policy choices available under IFRS.

Difference from existing Canadian GAAP: IFRS 2, *Share-based Payments*, requires the fair value of each tranche of share options be amortized over their respective vesting period. Canadian GAAP allows for both the aforementioned method as well as the straight-line method of amortizing these costs. Under Canadian GAAP, forfeitures of share options can be accounted for at the time that they occur, whereas under IFRS, the number of share options that would ultimately vest is amortized over their respective vesting period.

Transition impact: The Company already amortizes the fair value of each tranche of share options over their respective vesting period. The impact of applying an estimated forfeiture rate to the value of unvested options at the date of transition and as at December 31, 2010 is summarized as follows:

Interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2010:

	$
Decrease in share-based compensation:	
Recognized forfeiture adjustment	(20,298)

Consolidated statement of loss and comprehensive loss for the year ended December 31, 2010:

	$
Decrease in share-based compensation:	
Recognized forfeiture adjustment	(47,746)

Consolidated statement of financial position:

	January 1, 2010	March 31, 2010	December 31, 2010
	$		$
Reduction of Equity settled benefits reserve	(14,648)	(34,946)	(62,394)
Decrease in deficit	(14,648)	(34,946)	(62,394)

Expected future impact: The Company will apply the requirements of estimating a forfeiture rate on stock options as prescribed under IFRS 2.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

(c) Impact on accounting policies upon adoption of IFRS (continued)

(ii) Borrowing costs:

Choices: There are no policy choices available under IFRS

Difference from existing Canadian GAAP: IAS 23, *Borrowing Costs* requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Under Canadian GAAP, the Company elected the accounting policy choice to expense these costs as incurred.

Transition impact:

Interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2010:

	$
Decrease in finance costs:	
Capitalization of borrowing costs	(1,083)

Consolidated statement of loss and comprehensive loss for the year ended December 31, 2010:

	$
Decrease in finance costs:	
Capitalization of borrowing costs	(94,063)

Consolidated statement of financial position:

	January 1, 2010	March 31, 2010	December 31, 2010
	$	$	$
Increase in property, plant and equipment:			
Equipment	-	1,083	94,063
Decrease in deficit	-	(1,083)	(94,063)

Expected future impact: There will be ongoing capitalization of borrowing costs on qualified assets in future periods.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

(c) Impact on accounting policies upon adoption of IFRS (continued)

(iii) Intangible assets:

Choices: There are no policy choices available under IFRS

Difference from existing Canadian GAAP: IFRS and Canadian GAAP are similar in treatment of intangible assets. Under IFRS, computer software that has been separately acquired must be presented as a component of intangible assets. IAS 38, *Intangible Assets* and SIC 32, *Intangible Assets – Website Costs* requires specific criteria be met to allow for the capitalization of website costs, including the requirement to demonstrate how a website will generate future economic benefits (website must be capable of generating revenues, including direct revenues from enabling orders to be placed). IFRS requires the presentation of computer software as a component of Intangible Assets. Previously the Company presented computer software as a component of property, plant and equipment.

Transition impact: The Company has written-off costs associated with its website and reclassify the presentation of computer software from property, plant and equipment to intangible assets.

Interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2010:

	$
Increase in general and admin expenses:	
Expense of 2010 website expenditures	2,150
Decrease in depreciation of equipment:	
Reversal of depreciation on website	(2,537)
	(387)

Consolidated statement of loss and comprehensive loss for the year ended December 31, 2010:

	$
Increase in general and admin expenses:	
Expense of 2010 website expenditures	2,150
Decrease in depreciation of equipment:	
Reversal of depreciation on website	(10,152)
	(8,002)

Consolidated statement of financial position:

	January 1, 2010	March 31, 2010	December 31, 2010
	$	$	$
Decrease in property, plant and equipment:			
Reclassification of computer software	(67,684)	(67,430)	(95,652)
Derecognition of website	(32,343)	(31,956)	(24,341)
	(100,027)	(99,386)	(119,993)
Increase in intangible assets:			
Reclassification of computer software	67,684	67,430	95,652
Increase in deficit	(32,343)	(31,956)	(24,341)

27. Explanation of Transition to International Financial Reporting Standards (continued)

(c) Impact on accounting policies upon adoption of IFRS (continued)

(iii) Intangible assets: (continued)

Expected future impact: All costs associated with websites will be expensed as incurred, unless the expenditures qualify for capitalization under IFRS. Computer software that has been separately acquired will be presented as a component of intangible assets in future periods.

(iv) Presentation of financial statements:

Choices: The statement of cash flows may be presented using either the direct method or indirect method. Dividends paid, interest paid, interest received and dividends received can be presented as operating, financing or investing activities.

Policy selection: The Company will continue to present its statement of cash flows using the indirect method.

Difference from existing Canadian GAAP: Under IAS 1, *Presentation of Financial Statements*, a complete set of financial statements should include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, accounting policies and explanatory notes. IAS 1 prescribes various formats and requirements for statement presentation and disclosure. IAS 7, *Financial Instruments – Disclosures* requires the presentation of debt with covenants that have been breached, and for which the terms of the loan were not modified until after the end of the reporting period, as a current liability. Under Canadian GAAP, the debt could remain presented as a long-term liability if the Company renegotiated the terms of the loan subsequent to the end of the reporting period.

Expected transition impact and future impact: The adoption of IAS 1 has resulted in several changes to the format of Company's financial statements, in expanded note disclosure, and different classification and presentation of line items in its consolidated statements of financial position and consolidated statements of comprehensive loss.

As at January 1, 2010 the Company was in breach of its debt service coverage ratio relating to its variable-rate mortgage with FCC. Management informed FCC of this technical default and subsequent to January 1, 2010 the Company received a waiver of the need to comply with this covenant until December 31, 2011. As a result of the breach of the covenant at January 1, 2010, the Company is required to present the full balance of this debt as a current liability in the amount of $3,329,803. As at December 31, 2010 the Company was in compliance with its covenants on the FCC mortgage, and as such only the current portion of the future principal repayments, net of deferred financing costs, has been presented as a current liability.

(Expressed in Canadian dollars)

27. Explanation of Transition to International Financial Reporting Standards (continued)

(c) Impact on accounting policies upon adoption of IFRS (continued)

(iv) Presentation of financial statements: (continued)

Consolidated statement of financial position:

	January 1, 2010	March 31, 2010	December 31, 2010
	$	$	$
Increase in current portion of loans and borrowings:			
Reclassification of FCC debt	3,134,091	-	-
Decrease in non-current portion of loans and borrowings:			
Reclassification of FCC debt	(3,134,091)	-	-
Increase in deficit	-	-	-

(v) Non-controlling interests

Choices: There are no policy choices available under IFRS

Difference from existing Canadian GAAP: Under Canadian GAAP, non-controlling interests in the equity of consolidated affiliates are classified as a separate component between liabilities and equity in the statement of financial position and as a component of net earnings within the income statement. Losses attributable to non-controlling interests were recognized until the non-controlling interest was reduced to $Nil with any additional losses not recognized under Canadian GAAP. IFRS requires the presentation of non-controlling interests as a component of equity separate from the equity of the parent and are not included in net earnings, but rather presented as an allocation of net earnings, regardless of whether the non-controlling interest is attributed a loss from operations.

Transition impact: The loss for the year ended December 31, 2010 attributable to the 2.7% non-controlling interest of the Company's subsidiaries, Bio-Extraction Ltd. and its wholly-owned subsidiary MGA Holdings Ltd. is not considered significant.