Burcon NutraScience Corporation

Condensed Consolidated Interim Financial Statements
Nine months ended December 31, 2015 and 2014
(Unaudited)
(Prepared in Canadian dollars)

Burcon NutraScience Corporation

Condensed Consolidated Interim Balance Sheets
(Unaudited)

(Prepared in Canadian dollars)

	December 31, 2015 $	March 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	1,908,210	2,400,965
Short-term investments	1,384,000	1,266,600
Amounts receivable (note 9)	17,014	145,524
Prepaid expenses	126,564	148,429
Derivative asset	-	70,152
	3,435,788	4,031,670
Property and equipment	516,097	564,185
Deferred financing costs	-	93,518
Deferred development costs (note 4)	355,749	755,967
Goodwill	1,254,930	1,254,930
	5,562,564	6,700,270
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	311,656	705,302
Derivative liability	-	70,152
	311,656	775,454
Deferred revenue	62,555	132,930
	374,211	908,384
Shareholders' Equity (note 5)		
Capital stock	64,318,130	60,964,605
Contributed surplus	6,259,626	6,259,626
Options	9,905,758	9,190,098
Warrants	644,880	357,945
Deficit	(75,940,041)	(70,980,388)
	5,188,353	5,791,886
	5,562,564	6,700,270

Going concern (note 1)

Approved by the Audit Committee of the Board of Directors

(signed) Douglas Gilpin Director (signed) Peter H. Kappel Director

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

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)

(Prepared in Canadian dollars)

	Three months ended December 31		Nine months ended December 31	
	2015 **$**	**2014** **$**	**2015** **$**	**2014** **$**
Revenue				
Royalty income	23,588	30,930	73,240	79,879
Expenses				
General and administrative (note 6)	1,092,128	1,228,572	3,239,185	3,312,251
Research and development (note 7)	679,253	646,503	2,007,464	1,870,658
	1,771,381	1,875,075	5,246,649	5,182,909
Loss from operations	(1,747,793)	(1,844,145)	(5,173,409)	(5,103,030)
Foreign exchange gain	71,884	-	176,831	-
Interest and other income (note 9)	8,537	14,895	36,925	61,395
Loss and comprehensive loss for the period	(1,667,372)	(1,829,250)	(4,959,653)	(5,041,635)
Basic and diluted loss per share (note 8)	(0.05)	(0.05)	(0.14)	(0.15)

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

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

For the nine months ended December 31, 2015 and 2014

(Prepared in Canadian dollars)

	Number of fully paid common shares (unlimited number of common shares without par value)	Capital stock $	Contributed surplus $	Options $	Warrants $	Deficit $	Total shareholders' equity $
Balance - March 31, 2014	31,624,693	54,005,703	6,136,123	8,532,700	49,453	(64,400,964)	4,323,015
Loss and comprehensive loss for the period	-	-	-	-	-	(5,041,635)	(5,041,635)
Rights offering	1,860,276	5,245,978	-	-	-	-	5,245,978
Share issue costs (note 9)	-	(232,728)	-	-	-	-	(232,728)
Unexercised/vested options	-	-	74,049	(74,049)	-	-	-
Warrants expired	-	-	49,453	-	(49,453)	-	-
Warrants issued	-	-	-	-	357,945	-	357,945
Stock-based compensation expense	-	-	-	582,977	-	-	582,977
Balance - December 31, 2014	33,484,969	59,018,953	6,259,625	9,041,628	357,945	(69,442,599)	5,235,552
Balance - March 31, 2015	34,144,969	60,964,605	6,259,626	9,190,098	357,945	(70,980,388)	5,791,886
Loss and comprehensive loss for the period	-	-	-	-	-	(4,959,653)	(4,959,653)
Rights offering	1,552,044	3,507,620	-	-	-	-	3,507,620
Share issue costs (note 9)	-	(154,095)	-	-	-	-	(154,095)
Warrants issued	-	-	-	-	279,817	-	279,817
Warrants adjustment	-	-	-	-	7,118	-	7,118
Stock-based compensation expense	-	-	-	715,660	-	-	715,660
Balance - December 31, 2015	35,697,013	64,318,130	6,259,626	9,905,758	644,880	(75,940,041)	5,188,353

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

Burcon NutraScience Corporation

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

For the nine months ended December 31, 2015 and 2014

(Prepared in Canadian dollars)

	2015 $	2014 $
Cash flows from operating activities		
Loss for the period	(4,959,653)	(5,041,635)
Items not affecting cash		
Amortization of deferred development costs	400,218	400,218
Unrealized foreign exchange gain	(176,831)	-
Amortization of property and equipment	92,494	109,897
Amortization of deferred revenue	(70,375)	(70,375)
Warrants issued for financing	286,935	357,945
Loss on disposal of property and equipment	863	-
Stock-based compensation expense	715,660	582,977
	(3,710,689)	(3,660,973)
Changes in non-cash working capital items		
Amounts receivable	128,510	115,793
Prepaid expenses	21,865	38,502
Accounts payable and accrued liabilities	(322,712)	48,958
	(3,883,026)	(3,457,720)
Cash flows from investing activities		
Acquisition of property and equipment	(45,269)	(28,306)
Cash flows from financing activities		
Deferred financing costs	-	(54,643)
Issue of capital stock	3,507,620	5,245,978
Share issue costs	(131,510)	(143,915)
	3,376,110	5,047,420
Foreign exchange gain on cash and cash equivalents	59,430	-
(Decrease) increase in cash and cash equivalents	(492,755)	1,561,394
Cash and cash equivalents - Beginning of period	2,400,965	1,392,467
Cash and cash equivalents - End of period	1,908,210	2,953,861
Interest received	22,521	44,192

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

(Prepared in Canadian dollars)

1 Going concern

Burcon NutraScience Corporation (Burcon or the Company) is an incorporated entity headquartered in Vancouver, Canada.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at December 31, 2015, the Company had minimal revenues from its technology, had an accumulated deficit of $75,940,041, and had relied on equity financings, private placements, rights offerings and other equity transactions to provide the financing necessary to undertake its research and development activities. As at December 31, 2015, the Company had cash and cash equivalents of $1,908,210 and short-term investments of $1,384,000. These conditions indicate existence of a material uncertainty that casts substantial doubt about the ability of the Company to meet its obligations as they become due and, accordingly, its ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the Company raising additional capital. Although the Company expects to receive royalty revenues from its license and production agreement (Soy Agreement) with Archer Daniels Midland Company (ADM) from the sales of CLARISOY™ (note 2), the amount of royalty revenues cannot be ascertained at this time. Burcon expects the amount of royalty revenues from the sales of CLARISOY™ will not reach its full potential until such time production is expanded to one or more full-scale commercial facilities.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(Prepared in Canadian dollars)

2 Nature of operations

Burcon and its subsidiary are research and development companies that are developing plant protein extraction and purification technology in the field of functional, renewable plant proteins. The Company and its subsidiary have developed CLARISOY™, a soy protein; and are developing Peazazz®, a pea protein, and Puratein®, Supertein® and Nutratein®, three canola protein isolates.

a) CLARISOY™

On March 4, 2011, Burcon signed the Soy Agreement with ADM to license its CLARISOY™ technology to ADM on an exclusive basis to produce, market and sell CLARISOY™ soy protein worldwide. The terms of the Soy Agreement include: (a) the license to ADM of all intellectual property, including know-how and trade secrets, concerning the manufacture and use of CLARISOY™, (b) payments to Burcon on a quarterly basis that began upon certain approval by the Environmental Protection Agency and continued until the first bona fide arm's length sale of soy products manufactured in the Semi-works Production facility was made, (c) the engineering and design of an initial commercial CLARISOY™ production plant to be completed by ADM and (d) a royalty structure that incorporates financial incentives for ADM to expand sales globally. ADM will make royalty payments to Burcon on the sales of CLARISOY™ under the 20-year Soy Agreement. Maintaining the CLARISOY™ soy protein patent portfolio during the term of the Soy Agreement is the responsibility of Burcon. In December 2012, ADM notified Burcon of the first bona fide arm's length sale of CLARISOY™ soy protein. Pursuant to the Soy Agreement, the initial license fee payments ceased at the end of the quarter that immediately precedes the quarter in which the first bona fide arm's length sale of CLARISOY™ manufactured in the semi-works production facility occurs. Accordingly, commencing with the quarter ended December 31, 2012, Burcon earned a percentage of net revenues from the sale of CLARISOY™ manufactured from the semi-works production facility. In March 2014, ADM provided written notice to Burcon that it intends to expand the commercial production of CLARISOY™ soy protein such that its production capacity meets the required obligations under the Soy Agreement to retain its exclusive license for CLARISOY™. If ADM does not fulfill certain obligations under the Soy Agreement, Burcon will have the option to convert the exclusive license to a non-exclusive license.

b) Peazazz®

Burcon has developed a novel pea protein isolate that it has branded Peazazz®. In June 2013, Burcon announced that it had completed the construction of a Peazazz® semi-works production facility located in Winnipeg, Manitoba. Burcon has been using the semi-works production facility to provide market development quantities (tonnage amounts) to customers for product and market development activities.

Burcon has executed a number of material transfer agreements with potential partners and customers, and has been in discussions with a select group of potential partners to discuss the commercialization of Peazazz® and is considering various options, including building full-scale production facilities through a variety of partnerships.

(Prepared in Canadian dollars)

c) Puratein®, Supertein® and Nutratein®

Burcon is developing three canola protein isolate products, Puratein®, Supertein® and Nutratein®. In 2008, Puratein® and Supertein® achieved US self-affirmed GRAS (Generally Recognized As Safe) status, and the US Food and Drug Administration formally acknowledged receipt of Burcon's GRAS notification for Puratein® and Supertein® in 2010.

3 Significant accounting policies

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standards (IAS) 34, *Interim Financial Reporting*, on a basis consistent with those accounting policies followed in the most recent annual consolidated financial statements. Certain financial statement line items have been reclassified to conform with financial statement presentation adopted in the current quarter. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Audit Committee of the Board of Directors February 10, 2016.

The condensed consolidated interim financial statements should be read in conjunction with the Company's IFRS consolidated annual financial statements for the year ended March 31, 2015.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, Burcon NutraScience (MB) Corp. A subsidiary is an entity in which the Company has control, directly or indirectly. Under IFRS 10, an investor controls an investee if and only if the investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiary at December 31, 2015 are as follows:

	Place of incorporation	Interest %	Principal activity
Burcon NutraScience (MB) Corp.	Manitoba, Canada	100	Research and development

(Prepared in Canadian dollars)

Accounting standards issued and not applied

IFRS 15 - Revenue from Contracts with Customers

This new standard on revenue recognition supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 - Financial Instruments - Classification and Measurement

The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets, and (ii) a single forward looking expected loss impairment model.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 7 - Financial Instruments: Disclosures

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Amendment of IFRS 7 is effective on adoption of IFRS 9.

The Company is currently assessing the impact of IFRS 15 and the expected date of adoption. The Company does not expect any material impact from the adoption of the other standards.

(Prepared in Canadian dollars)

4 Deferred development costs

	$
Cost at March 31, 2015	2,223,435
Current period additions	-
Cost at December 31, 2015	2,223,435
Accumulated amortization at March 31, 2015	1,467,468
Current period amortization	400,218
Accumulated amortization at December 31, 2015	1,867,686
Net book value at December 31, 2015	355,749
Cost at March 31, 2014	2,223,435
Current period additions	-
Cost at March 31, 2015	2,223,435
Accumulated amortization at March 31, 2014	933,843
Current period amortization	533,625
Accumulated amortization at March 31, 2015	1,467,468
Net book value at March 31, 2015	755,967

5 Shareholders' equity

a) Capital stock

Authorized
Unlimited number of common shares without par value

On April 30, 2015, the Company completed an offering of shares by way of a rights offering for 1,552,044 common shares gross proceeds to Burcon of $3,507,620, with net proceeds of approximately $3,350,000. Burcon issued to each shareholder one right (the Right) for each common share held by such shareholder. Every 22 Rights entitled the holder thereof to purchase one common share in the Company at a price of $2.26 per common share.

(Prepared in Canadian dollars)

Financing costs related to the rights offering of $93,518 incurred up to March 31, 2015 were recorded as deferred financing costs and transferred to share issue costs upon the completion of the financing on April 30, 2015. During the three and nine months ended December 31, 2015, Burcon incurred additional share issue costs of $46 and $60,577, respectively.

Subject to certain conditions, three corporate shareholders (the Guarantors), including ITC Corp., had each agreed to provide a standby guarantee (the Standby Commitment) to purchase such common shares that were available to be purchased, but not otherwise subscribed for, that would have resulted in a minimum of 1,552,044 common shares being issued under the rights offering. As the rights offering was over-subscribed, the Guarantors were not required to fulfill their respective obligations under the Standby Commitment.

As consideration for the Standby Commitment, the Guarantors received share purchase warrants (Standby Warrants) entitling the Guarantors to acquire up to 388,011 common shares at an exercise price of $2.26 per common share that will be exercisable up to April 30, 2017. In accordance with the policies of the TSX, the issuance of the Standby Warrants to the Guarantors was subject to shareholder approval, which was granted at Burcon's annual general meeting on September 3, 2015. The Standby Commitment Agreement originally gave rise to a financial asset and liability, which had been initially recorded at fair value as a derivative asset and liability of $70,152, respectively, with the change in fair value to be recorded through profit or loss. As noted above, the Guarantors were not required to fulfill their respective obligations under the Standby Commitment, and therefore the derivative asset of $70,152 was recognized as a financing expense in the first quarter. Burcon has estimated the value of the Standby Warrants to be $279,817 using the Black-Scholes option pricing model and has recorded the amount by which the fair value of the Standby Warrants exceeded the value of the derivative liability as financing expense (note 6) in the second quarter of fiscal 2016.

Pursuant to the terms of the warrant certificates issued to the guarantors of the rights offering that was completed on April 2, 2014 (“2014 Rights Offering”), the exercise price and number of shares purchasable must be adjusted upon the occurrence of certain events, including future rights offerings by the Company. Upon completion of the recent rights offering on April 30, 2015, the warrants from the 2014 Rights Offering were adjusted effectively immediately after the record date of the recent rights offering, being April 2, 2015. The original number of warrants issued to acquire up to 232,534 common shares was adjusted to 235,880 and the original exercise price of $2.82 per share was adjusted to $2.78 per share. The Company has recorded $7,118 during the first quarter for this adjustment.

b) Contributed surplus

Contributed surplus comprises the value ascribed to expired warrants and options and forfeited vested options, previously categorized in either warrants or options, as applicable, within shareholders’ equity.

(Prepared in Canadian dollars)

c) Options

The Company has a stock option plan in which all directors, officers, employees and consultants of the Company and its subsidiary are eligible to participate.

At December 31, 2015, 3,086,001 (March 31, 2015 - 2,512,167) options to purchase common stock are outstanding under the stock option plan. These options, when vested under the terms of the plan, are exercisable at prices ranging between $2.33 and $9.60 per common share. An additional 483,700 (March 31, 2015 - 902,329) options may be granted in future years under this plan. Unless otherwise determined by the Board of Directors, the options have a term of 10 years from the date of grant. The vesting terms are determined at the discretion of the Board of Directors at the time of grant. All grants are recognized using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period.

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding - Beginning of period	2,512,167	5.66	1,986,161	6.50
Granted	573,834	2.33	616,006	2.86
Forfeited/Expired	-	-	(90,000)	5.03
Outstanding - End of period	3,086,001	5.04	2,512,167	5.66

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

	Options outstanding			Options exercisable	
Exercise price $	**Number outstanding at December 31, 2015**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number exercisable at December 31, 2015**	**Weighted average exercise price $**
2.33 - 4.16	2,026,001	8.55	2.87	1,201,326	3.09
6.78 - 9.60	1,060,000	4.26	9.19	1,060,000	9.19
	3,086,001			2,261,326	

(Prepared in Canadian dollars)

The fair value of each option is estimated as at the date of grant or other measurement date using the Black-Scholes option pricing model and the following weighted average assumptions:

	Nine months ended December 31, 2015	Year ended March 31, 2015
Dividend yield	0.0%	0.0%
Expected volatility	53.1%	52.1%
Risk-free interest rate	1.4%	1.8%
Expected forfeitures	9.4%	10.2%
Expected average option term (years)	7.8	7.7

The expected volatility and expected forfeitures are based on historical volatility and forfeitures. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the expected average option term. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

The weighted average fair value of the options granted during the third quarter of Fiscal 2016 was $1.32 and for the year ended March 31, 2015, $1.61 per option.

For the three and nine months ended December 31, 2015, included in research and development expenses in salaries and benefits is $77,251 and $241,718, respectively, (2014 - $69,160 and $170,985) (note 7) of stock-based compensation and included in general and administrative expenses is $311,828 and $473,942, respectively, (2014 - $304,656 and $411,992) in salaries and benefits (note 6) of stock-based compensation.

6 General and administrative

	Three months ended December 31		Nine months ended December 31	
	2015 $	2014 $	2015 $	2014 $
Salaries and benefits (note 5)	571,436	530,427	1,204,193	1,076,284
Professional fees	378,463	577,624	1,293,546	1,386,307
Office supplies and services (note 9)	48,300	38,937	139,362	125,003
Investor relations (note 5)	37,033	30,516	114,457	184,978
Other	23,967	22,068	101,194	95,729
Travel and meals	23,531	20,547	69,394	58,887
Financing expense (notes 5 and 9)	8,227	-	300,473	359,020
Amortization of property and equipment	772	761	2,107	2,189
Management fees (note 9)	399	7,692	14,459	23,854
	1,092,128	1,228,572	3,239,185	3,312,251

(Prepared in Canadian dollars)

7 Research and development

	Three months ended December 31		Nine months ended December 31	
	2015 $	2014 $	2015 $	2014 $
Salaries and benefits (note 5)	351,081	340,117	1,078,065	1,010,489
Amortization of deferred development costs	133,406	133,406	400,218	400,218
Laboratory operation	121,513	92,931	305,194	234,576
Amortization of property and equipment	32,571	36,108	90,387	107,708
Rent	22,737	22,629	68,031	65,813
Analyses and testing	15,440	19,529	54,409	46,790
Travel and meals	2,505	1,783	11,160	5,064
	679,253	646,503	2,007,464	1,870,658

8 Basic and diluted loss per share

The following table sets forth the computation of basic and diluted loss per share:

	Three months ended December 31		Nine months ended December 31	
	2015 $	2014 $	2015 $	2014 $
Loss for the period, being loss attributable to common shareholders - basic and diluted	(1,667,372)	(1,829,250)	(4,959,653)	(5,041,635)
	Shares	Shares	Shares	Shares
Weighted average common shares - basic and diluted	35,697,013	33,484,969	35,533,343	33,474,804
Basic and diluted loss per share	(0.05)	(0.05)	(0.14)	(0.15)

For the three and nine months ended December 31, 2015 and 2014, the Company excluded all potential common share equivalents from the diluted loss per share calculation as they were anti-dilutive.

(Prepared in Canadian dollars)

9 Related party transactions

The Company engaged a company that is controlled by an entity that has significant influence over Burcon for the following related party transactions:

Included in office supplies and services in general and administrative expenses for the three and nine months ended December 31, 2015 is $18,550 and $55,650, respectively (2014 - $17,466 and $52,397) for office space rental, services, and equipment rental.

For the three and nine months ended December 31, 2015, included in management fees is $399 and $14,459, respectively (2014 - $7,692 and $23,854) for services provided. At December 31, 2015, $105 (March 31, 2015 - $1,715) of this amount is included in accounts payable and accrued liabilities. For the three and nine months ended December 31, 2015, included in interest and other income is $3,106 and $13,152, respectively (2014 - $3,859 and $17,827) for management services provided. At December 31, 2015, $1,095 (March 2015 - $818) of this amount is included in amounts receivable. Included in share issue costs are fees of $1,410 incurred during the nine months ended December 31, 2015 (share issue costs as at March 31, 2015 - $615) for administrative services provided directly for the rights offering (note 5).

During the nine months ended December 31, 2015, the Company issued warrants to ITC Corporation Limited related to the rights offering (note 5(a)) and estimated the fair value to be $143,099. Of this amount $107,223, representing the amount by which the fair value of the Standby Warrants exceeded the value of the derivative liability, was recorded as financing expense.

10 Key management compensation

Key management includes the Company's CEO, COO and Directors. For the nine months ended December 31, 2015 and 2014, remuneration of key management comprises:

	2015 $	2014 $
Short-term benefits	283,057	273,623
Option-based awards	301,959	282,152
	585,016	555,775

Short-term benefits comprise salaries, fees and employment benefits.

Option-based awards represent the cost to the group of senior management and directors' participation in the incentive stock option plan, as measured by the fair value of instruments granted accounted for in accordance with IFRS 2, *Share-based Payment*. For details of these plans refer to note 5 to the condensed consolidated interim financial statements.

(Prepared in Canadian dollars)

11 Financial instruments

Credit risk

The financial instruments that expose the Company to a concentration of credit risk are cash and cash equivalents, amounts receivable and short-term investments. The Company's cash and cash equivalents may comprise interest-bearing savings instruments with Canadian chartered banks. Short-term investments comprise interest-bearing securities with Canadian chartered banks with maturities at their purchase dates of greater than three months but not more than a year. The Company limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with two Canadian chartered banks.

Interest rate risk

All of the Company's financial instruments are non-interest bearing except for cash and cash equivalents that earn interest at variable market rates and short-term investments that earn interest at fixed interest rates. Burcon's cash and cash equivalents and short-term investments are held at two Canadian chartered banks to maximize interest and to diversify risk. For the three and nine months ended December 31, 2015, the weighted average interest rate earned on the Company's cash and cash equivalents was 0.82% and 0.94% per annum, respectively (2014 - 1.18% and 1.23%) and the weighted average interest rate earned on short-term investments was 0.30% and 0.30% per annum, respectively. The impact of a 1% strengthening or weakening of interest rate on the Company's cash and cash equivalents at December 31, 2015 is estimated to be a $19,000 increase or decrease in interest income per year.

Liquidity risk

The Company manages liquidity risk through the management of its capital structure (note 12). It also manages liquidity risk by monitoring actual and forecasted cash flows taking into account current and planned operations. The Company's estimated minimum contractual undiscounted cash flow requirements for its financial liabilities at December 31, 2015 was $311,656, all of which is due within the next 12 months. Additional information regarding liquidity risk is disclosed in note 1.

Fair value

The fair value of the derivative asset and liability is a level 3 fair value and was estimated based on the amount by which the Company could settle its obligation under the standby commitment agreement in cash (note 5).

The carrying values of cash and cash equivalents, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of those assets and liabilities.

(Prepared in Canadian dollars)

Currency risk

Certain amounts of the Company's cash and cash equivalents and all of the Company's short-term investments are denominated in US dollars. Therefore, the Company is exposed to risk of fluctuations in asset values and earnings arising from changes in the exchange rate between the Canadian dollar and the US dollar.

12 Capital disclosures

The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure to have sufficient resources available to meet day-to-day operating requirements, continue as a going concern and fund its research development program. The Company is dependent on non-operating sources of cash, primarily from issuing equity, to fund its operations and research development program. The Company monitors its capital and the expected cash flows required to achieve its business objectives to determine its future financing needs. It seeks additional equity capital when deemed appropriate, but there is no assurance that it will be able to secure the necessary capital when required. Additional information regarding capital management is disclosed in note 1.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three and nine months ended December 31, 2015.