

## RESEARCH AND PRODUCT DEVELOPMENT

	Year Ended December 31			Quarter Ended December 31		
<i>\$000s</i>	2012	2011	CHANGE	2012	2011	CHANGE
Salaries and benefits	639	603		151	172	
Regulatory and patents	133	118		59	42	
Other	63	120		(84)	(1)	
	835	841	– 1%	126	213	– 41%
Product development – CeaProve®	21	156	– 87%	3	29	– 90%
Total research and product development expenditures	856	997	– 14%	129	242	– 47%

During the year ended December 31, 2012, research and development expenses before CeaProve® development decreased by 1% or \$6,000 during the same period of 2011 due to increased expenditures incurred for third party technical services and collaboration agreements offset by grant revenue recognition of discounted CAAP funding and grant contributions from Alberta Innovates Technology Futures. CeaProve® costs have decreased by 87% from \$156,000 to \$21,000 as a result of decreased costs for patents and decreased costs associated with contract manufacturing activities.

During the fourth quarter of 2012, research and development expenses before CeaProve® development have decreased by 41% mostly due to grant revenue recognition of discounted CAAP funding and grant contributions from Alberta Innovates Technology Futures. CeaProve® costs have decreased by 90% from \$29,000 to \$3,000 as a result of decreased costs for patents and decreased costs associated with contract manufacturing activities.

## GENERAL AND ADMINISTRATION

	Year Ended December 31			Quarter Ended December 31		
<i>\$000s</i>	2012	2011	CHANGE	2012	2011	CHANGE
Salaries and benefits	475	390		129	110	
Consulting	407	211		133	62	
Board of Directors compensation	155	174		33	41	
Insurance	120	121		33	32	
Accounting and Audit fees	76	113		25	35	
Rent	97	90		25	28	
Public Company Costs	82	53		13	2	
Travel	113	83		36	29	
Depreciation	45	35		12	12	
Legal	123	16		20	10	
Other	102	88		23	20	
Total general and administration expenses	1,795	1,374	31%	482	381	27%

General and administration expense for the year ended December 31, 2012 increased by \$421,000 or 31% from \$1,374,000 to \$1,795,000 as a result of increased expenses arising from several non-recurring events. Salaries and benefits increased \$85,000 mainly as a result of engaging an engineer to oversee the new manufacturing facility activities. Consulting increased \$196,000, most of which related to feasibility studies to review potential new