c) In the year ended December 31, 2005, the Company and its wholly-owned subsidiary, Ceapro Veterinary Products Inc. (CVP), received a commitment for financial assistance totaling $362,250 for product innovation development in the area of Veterinary Therapeutics and Active Ingredients. As at December 31, 2012, $362,250 (2011 – $362,250) of the commitment has been received. The Company and CVP are obligated to pay a 2.5% royalty to a maximum of $75,000 per quarter (to a maximum of two times the financial assistance received or $724,500) on sales generated from products developed using these funds. The portion of the obligation accrued and paid at December 31, 2012 was $584 (2011 – $234). The potential amount payable per agreement as at December 31, 2012 is $723,916 (2011 – $724,266) (see note 7(e)).

d) In the year ended December 31, 2005, the Company's wholly-owned subsidiary, Ceapro Technology Inc. (CTI), received a commitment for financial assistance totaling $800,000 for pre-market activities of CeaProve® (a health and wellness product) upon completion of project objectives as outlined and agreed to by both parties. As at December 31, 2012, $510,000 of this commitment has been received (2011 – $510,000) and the remaining $290,000 has been decommitted. CTI is obligated to pay a royalty (to a maximum of one and a half times the financial assistance received or $765,000) on sales of CeaProve® on the following basis: 0% of net sales and net sub-licensing revenues earned until royalty payments have been fully satisfied under the investment agreement in note 7(a), and 5% thereafter until repaid to a maximum of $125,000 per quarter. No royalties have been incurred during the current year. The portion of this obligation paid or accrued as at December 31, 2012 was $nil (2011 – $nil). The potential amount payable per agreement as at December 31, 2012 is $765,000 (2011- $765,000) (see note 7(e)).

e) Potential royalties payable as at December 31, 2012, and 2011:

Notes	Year of agreement	Potential amount payable at December 31, 2012	Potential amount payable at December 31, 2011
7 (a)	2004	469,750	469,750
7 (b)	2005	247,593	343,843
7 (c)	2005	723,916	724,266
7 (d)	2005	765,000	765,000
Total		**2,206,259**	**2,302,859**

As the funding received in items a), c) and d) above is contingently repayable, it constitutes a liability that is recognized initially at fair value and subsequently at amortized cost using the effective interest method. As the initial fair value was estimated to be negligible, funding received was recorded as revenue and no liability was recorded. Management updates the estimate of future cash flows required under these agreements at each reporting date to assess whether the expected repayments constitute a significant liability.

8. DEFERRED REVENUE

During the year ended December 31, 2011, the Company received $750,000 under a non-repayable capital expenditure grant agreement with Alberta Innovates Bio-Solutions (AI-Bio Solutions) (note 23). During the year ended December 31, 2012, the Company has expended of $41,223. The balance of this grant of $708,777 (2011 – $750,000) is presented as deferred revenue and restricted cash and cash equivalents on the balance sheet.

Deferred revenue also consists of $990,333 (2011 – $561,024) for prepaid sales orders and $nil (2011 – $10,500) for a research grant advanced in excess of expenditures made.