



Afexa Life Sciences Inc.

First Quarter Report

Consolidated Financial Statements

For the three month period ended December 31, 2009

(unaudited)

Consolidated Balance Sheets

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(in thousands of Canadian dollars)
(unaudited)

	December 31, 2009	September 30, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 16,219	\$ 3,495
Accounts receivable (note 3)	9,919	4,841
Inventory	9,246	12,411
Prepaid expenses and deposits	838	749
Income taxes receivable	-	2,101
Future tax asset	540	194
	36,762	23,791
Intangible assets	1,545	1,491
Property and equipment	12,264	12,307
Future tax asset	85	83
	\$ 50,656	\$ 37,672
LIABILITIES		
Current		
Accounts payable and accruals (note 4c)	\$ 11,304	\$ 7,803
Customer deposits	1,780	134
Income taxes payable	1,079	-
Current portion of long-term debt	708	706
Current portion of obligations under capital lease	13	13
	14,884	8,656
Long-term debt	4,699	4,863
Obligations under capital lease	787	777
Future tax liability	24	-
Deferred revenue	180	180
Other long-term liabilities (note 4d)	130	136
	20,704	14,612
SHAREHOLDERS' EQUITY		
Share capital (note 4a)	23,092	23,101
Contributed surplus (note 5)	8,309	8,224
Deficit	(1,449)	(8,265)
	29,952	23,060
	\$ 50,656	\$ 37,672

Commitments and contingencies (note 12)

See accompanying notes to the consolidated financial statements

Consolidated Statements of Earnings and Comprehensive Income and Deficit

(in thousands of Canadian dollars except per share amounts)
(unaudited)

<i>For the three month periods ended December 31</i>	2009	2008
Revenue	\$ 29,547	\$ 19,721
Cost of goods sold	8,115	5,602
	21,432	14,119
Operating expenses		
Selling, general and administration	9,557	8,162
Research and development	1,452	780
Amortization (note 6)	340	313
Stock-based compensation (note 4b, 4c and 4d)	124	23
Interest and bank charges (note 7)	95	127
Loss on foreign exchange	20	459
	11,588	9,864
Earnings before other items and income taxes	9,844	4,255
Other items		
Interest income	12	76
Other (expenses) revenue	(5)	3
	7	79
Earnings before income taxes	9,851	4,334
Income tax expense (recovery)		
Current	3,359	1,826
Future	(324)	(299)
	3,035	1,527
Net earnings and comprehensive income	6,816	2,807
Deficit, beginning of period	(8,265)	(9,566)
Deficit, end of period	\$ (1,449)	\$ (6,759)
Earnings per share		
Basic	\$ 0.06	\$ 0.03
Diluted	0.06	0.03
Weighted average number of shares outstanding		
Basic	104,912,473	107,723,498
Diluted	105,797,506	107,733,075

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flow

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(in thousands of Canadian dollars)
(unaudited)

For the three month periods ended December 31	2009	2008
Operating activities		
Net earnings and comprehensive income	\$ 6,816	\$ 2,807
Items not affecting cash		
Stock-based compensation (note 4b, 4c and 4d)	124	23
Future income taxes	(324)	(299)
Amortization (note 6)	340	313
Accreted interest on land under capital lease	13	12
Loss on disposal of property and equipment	10	-
	6,979	2,856
Change in non-cash operating working capital	6,348	2,004
Change in non-current inventory	-	40
Cash provided by operating activities	13,327	4,900
Investing activities		
Purchase of property and equipment	(286)	(100)
Purchase of intangible assets	(108)	(33)
Cash used in investing activities	(394)	(133)
Financing activities		
Repayment of obligations under capital lease	(3)	(5)
Share purchase under normal course issuer bid (note 4a)	(30)	-
Repayment of long-term debt	(176)	(175)
Cash used in financing activities	(209)	(180)
Increase in cash and cash equivalents	12,724	4,587
Cash and cash equivalents, beginning of period	3,495	4,315
Cash and cash equivalents, end of period	\$ 16,219	\$ 8,902
Supplemental cash flow information:		
Interest paid	\$ 95	87
Interest received	12	31
Income taxes paid	239	710
Property and equipment additions		
- included in accounts payable and accruals at period end	110	182

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

1. Basis of presentation

On April 1, 2009, Afexa Life Sciences Inc. (the "Company") changed its name from CV Technologies Inc. The change was approved by shareholders at the Company's Annual General Meeting held on March 26, 2009. In conjunction with the change in name, the ticker symbol under which the Company's common shares trade on the Toronto Stock Exchange also changed to FXA from CVQ. The name change is part of a broader branding plan, which will leverage the brand equity associated with COLD-FX®.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those used in the preparation of the most recent annual consolidated financial statements. These unaudited interim consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2009. In management's opinion, these interim consolidated financial statements include all adjustments necessary to present fairly such interim financial information.

The consolidated statements of earnings and comprehensive income and deficit, and cash flows for interim periods are not necessarily indicative of results on an annual basis due to seasonal and short-term variations. Revenue from the Company's lead product is greater in the first and fourth quarters of the fiscal year. The sales of this product exhibit a seasonal pattern tied to the frequency and severity of colds and flu.

In preparing consolidated financial statements in conformity with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period presented. Actual results could differ from these estimates.

2. Changes in significant accounting policies

CICA 1601 and 1602 – Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interest, which replaces existing standards. These sections carry forward existing Canadian guidance for preparing consolidated financial statements containing or excluding non-controlling interests. The sections are effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company has early adopted these standards and has concluded there is no material impact on its consolidated financial statements.

CICA 1582 – Business Combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. It provides guidance on improving the relevance, reliability, and comparability of the information disclosed about a business combination and its effects. The section is applied prospectively for business combinations for which the acquisition date is on or after the first annual reporting beginning on or after January 1, 2011 and earlier adoption is permitted. The Company has early adopted this standard and has concluded there is no material impact on its consolidated financial statements.

CICA 3862 – Financial Instrument – Disclosures

In March 2009, the Canadian Accounting Standards Board announced it has agreed to adopt recent amendments to IFRS 7, Financial Instruments: Disclosures, into Section 3862, Financial Instruments – Disclosures. The amendments to Section 3862 will apply to annual financial statements for years ending after September 30, 2009. The amendments require that an entity disclose the classification, for each class of financial instrument, of fair value measurements within a fair value hierarchy. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. On October 1, 2009, the Company adopted this standard and has reflected the required changes to its disclosures in these consolidated financial statements.

Recent accounting pronouncements

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting for its fiscal year ending September 30, 2012, the Company is assessing the potential impacts of this changeover and is developing a conversion plan which will include: a detailed timeline; further training and education requirements; and the impact on accounting policies, information systems, internal controls over financial reporting and business activities.

Notes to the Consolidated Financial Statements *(continued)*

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

The Company has completed a high-level assessment of the significant differences between Canadian GAAP and IFRS specific to the Company. The Company also conducted initial IFRS awareness training for staff and continues to monitor AcSB's proposed changes to standards during Canada's transition to IFRS. These changes may have a significant impact on the Company's implementation plan and future financial statements.

3. Accounts receivable

	December 31, 2009	September 30, 2009
Trade receivables	\$ 13,685	\$ 6,823
Allowance for doubtful accounts	(117)	(78)
	13,568	6,745
Other receivables	250	415
Discount and incentive provisions	(6,600)	(3,928)
Return allowances	(292)	(296)
Other provisions	(15)	(14)
	6,911	2,922
Reclass of net credits in trade accounts receivable to accounts payable and accruals	3,008	1,919
	\$ 9,919	\$ 4,841

4. Share capital

Authorized:

Unlimited number of voting common shares with no par value

Unlimited number of preferred shares with no par value, voting rights to be determined prior to first issue

(a) Issued and outstanding:

	Number of shares	Share capital
Voting common shares		
Balance, September 30, 2009	104,912,918	\$ 23,101
Repurchase of common shares for cancellation	(40,906)	(9)
Balance, December 31, 2009	104,872,012	\$ 23,092

On October 14, 2008, the Company received regulatory approval under Canadian securities laws to purchase common shares under a normal course issuer bid ("NCIB"). The Company was entitled to purchase up to 5,386,175 common shares, representing 5% of its then issued and outstanding common shares. The NCIB commenced on October 16, 2008 and terminated on October 15, 2009. On October 14, 2009, the Company renewed the NCIB which will allow the Company to acquire up to an additional 5,245,645 common shares until the renewed NCIB expires on October 15, 2010.

During the three month period ended December 31, 2009, 40,906 (December 31, 2008 - nil) common shares were repurchased pursuant to the Company's NCIB for a total of \$30 (December 31, 2008 - nil) or \$0.73 per common share. All common shares repurchased were cancelled prior to December 31, 2009, resulting in a reduction in share capital of \$9 (December 31, 2008 - nil); and a reduction in contributed surplus of \$21 (December 31, 2008 - nil) representing the consideration in excess of share capital during the three month period.

(b) Stock-based compensation plan

The Company has an incentive stock option plan for certain employees, contractors, officers and directors. Options issued under the plan vest over a period which generally extends between four and five years. Options vest annually proportional to the number of vesting periods, based on the anniversary date of the options granted. The continuity of the Company's outstanding and exercisable options is as follows:

Notes to the Consolidated Financial Statements (continued)

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

	Three month period ended December 31, 2009		Year ended September 30, 2009	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Outstanding, beginning of period	4,035,000	\$ 0.93	8,585,443	\$ 1.01
Granted	-	-	1,285,000	0.40
Expired, cancelled, and forfeited	(156,000)	1.72	(5,835,443)	0.93
Outstanding, end of period	3,879,000	\$ 0.89	4,035,000	\$ 0.93
Exercisable, end of period	1,143,000	\$ 1.49	1,193,000	\$ 1.56

The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

Exercise prices	Number outstanding	Weighted average remaining term (in years)	Options vested	Options not vested
\$0.40	1,095,000	5.2	10,000	1,085,000
\$0.48	600,000	4.7	150,000	450,000
\$0.68	1,201,000	4.0	241,000	960,000
\$1.24	520,000	1.5	388,000	132,000
\$1.25	33,000	3.6	18,000	15,000
\$2.62	250,000	0.6	200,000	50,000
\$2.84	120,000	0.2	96,000	24,000
\$3.42	10,000	1.1	6,000	4,000
\$4.04	30,000	1.7	18,000	12,000
\$4.32	20,000	0.9	16,000	4,000
	3,879,000		1,143,000	2,736,000

During the three month period ended December 31, 2009, \$106 (2008 - \$23) was recognized as stock-based compensation expense related to options with a corresponding increase to contributed surplus.

(c) Deferred share units

The Company has a deferred share unit ("DSU") plan. Under the plan, participants are eligible to receive an equivalent cash value of the common shares, at a future date subject to certain conditions. The cost of the DSU is equal to the intrinsic value at the date of grant. Compensation expense is recognized in earnings on the date of grant as no vesting periods apply. Changes in the amount of the liability due to stock price changes after the initial grant date are recognized as stock-based compensation expense of the period in which the changes occur.

During the three month period ended December 31, 2009, the Company issued 40,473 DSUs with an intrinsic value of \$30. The Company recognized stock-based compensation expense of \$24 (2008 - \$nil), with a corresponding increase to accounts payable and accruals based on DSUs granted in the period and the value fluctuation of all outstanding DSUs. As at December 31, 2009, the Company had 173,322 DSUs outstanding with value of \$128 (2008 - \$nil) recorded in accounts payable and accruals.

(d) Restricted share units

The Company has a restricted share unit ("RSU") plan under which participants are eligible to receive an equivalent cash value of the common shares, at a future date subject to certain conditions. The cost of the RSU is equal to the intrinsic value at the date of grant. In the case of RSUs granted for a prior service period, the compensation cost will be recognized in the period the RSU is granted. Changes in the amount of the liability due to stock price changes after the initial grant date are recognized as stock-based compensation expense of the period in which the changes occur.

During the three month periods ended December 31, 2009 and 2008, the Company did not issue any RSUs. As at December 31, 2009, the Company had 175,000 RSUs outstanding with fair market value of \$130 and recognized a reduction in stock-based compensation expense of \$6 (2008 - \$nil) with a corresponding decrease to other long-term liabilities based on the intrinsic value fluctuations of all outstanding RSUs. The RSUs issued vest in 1.9 years.

Notes to the Consolidated Financial Statements *(continued)*

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

5. Contributed surplus

During the period, contributed surplus has changed as follows:

	Three month period ended December 31, 2009		Year ended September 30, 2009
Balance, beginning of period	\$	8,224	\$ 8,179
Stock-based compensation recognition of fair value of stock options granted to:			
Employees, officers and directors		104	525
Non-employees		2	16
Consideration in excess of stated capital from the normal course issuer bid		(21)	(496)
Balance, end of period	\$	8,309	\$ 8,224

6. Amortization

Three month period ended December 31	2009		2008
Intangible assets	\$	54	\$ 44
Property and equipment		286	269
	\$	340	\$ 313

7. Interest and bank charges

Three month period ended December 31	2009		2008
Interest on long-term debt	\$	61	\$ 92
Other interest and bank charges		34	35
	\$	95	\$ 127

8. Related party transactions

Until October 2008, the Company had as part of its management team an individual who was also related to the principal owners of a vendor. No related party relationship existed during the three month period ended December 31, 2009. During the period ended December 31, 2008, \$56 was expensed in selling, general, and administration costs for services provided by this vendor.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Capital disclosures

The Company's objective in managing capital is to safeguard the entity's ability to continue as a going concern so that it can continue to develop and commercialize evidence-based natural health products to increase shareholder value. Capital is defined by the Company as shareholders' equity, long-term debt and obligations under capital lease.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to tangible net worth. These capital requirements are congruent with the Company's management of capital. The Company met all externally imposed capital requirements at the end of the period.

The Company monitors capital on the basis of the current ratio and debt to tangible net worth ratio which are both financial covenants of its lending agreement. The current ratio is calculated as current assets (as shown on the balance sheet) over current liabilities (as shown on the balance sheet) and is to be maintained above 1.25:1. At December 31, 2009, this ratio is 2.47:1 (September 30, 2009 - 2.75:1). The decrease in this ratio from September 30, 2009 is largely due to an increase in income taxes payable resulting from strong revenues in the first quarter of fiscal 2010.

Debt to tangible net worth is calculated as total liabilities (as shown on the balance sheet) over tangible net worth. Tangible net worth is defined as the sum of share capital, contributed surplus and deficit less certain intangible assets. This ratio is to be maintained below 2.00:1. At December 31, 2009, this ratio was 0.73:1 (September 30, 2009 - 0.68:1). The increase in this ratio is primarily due to income earned to December 31, 2009, offset partially by the increase in accounts payable and accruals as compared to the prior period.

Notes to the Consolidated Financial Statements *(continued)*

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

10. Financial instruments

Fair value of financial instruments

The fair value of financial instruments represents the amount that would have been received from or paid to counterparties, calculated at the reporting date, to settle these instruments. Cash and cash equivalents, accounts receivable, and accounts payable and accruals are financial assets and liabilities that have short periods to maturity and have carrying values contained in the consolidated balance sheets which approximate their estimated fair value. The fair values of term mortgages and obligations under financing loans, classified as other financial instruments, reflect the Company's best estimate based upon estimated interest rates at which the Company believes it could enter into similar instruments at the consolidated balance sheet dates. The Company's long-term debt, which is measured at amortized cost, and the fair value thereof, as determined by Level 2 financial instrument inputs are shown below:

	December 31, 2009		September 30, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 5,407	\$ 5,431	\$ 5,569	\$ 5,607

Management of risks arising from financial instruments

The Company does not use financial derivatives. There has been no change with respect to the Company's overall risk exposure during the three month period ended December 31, 2009.

Market risk

(a) Interest rate risk

Bank indebtedness and mortgage are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing bank prime lending rate. The sensitivity of the mortgage to a 100 basis point change in the interest rate, with all other variables held constant, would result in a change in the Company's earnings before income tax of approximately \$14 and \$15 for the three month periods ended December 31, 2009 and 2008, respectively. The Company did not employ interest rate hedging activities during the period. The Company has the option to fix the interest rate on its mortgage for the balance of the term or enter into interest rate swaps for terms not exceeding three years.

(b) Foreign exchange risk

The Company has assets and liabilities that are denominated in foreign currencies and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The sensitivity of these monetary assets and liabilities to a 10% increase in the United States dollar, with all other variables held constant, would result in a decrease in the Company's earnings before income tax of approximately \$12 and \$400 for the three month periods ended December 31, 2009 and 2008, respectively. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Credit risk

The maximum exposure to credit risk of the Company as at December 31, 2009 is the carrying value of its financial assets. The Company manages credit risk by maintaining bank accounts with reputable financial institutions and only investing in securities that are highly rated, traded in active markets and capable of prompt liquidation.

The Company's exposure to credit risk related to accounts receivable arises from the possibility that a customer does not fulfil its obligations. This is minimized through a customer base predominantly comprised of well established retailers and wholesalers, a program of credit evaluation of new customers and limits on the amount of credit extended as deemed necessary. The Company performs continuous evaluation of its accounts receivable and records an allowance for doubtful accounts. The failure of a large customer would have a significant effect on the Company. As at December 31, 2009, three customers (September 30, 2009 - three) represented 94% of total accounts receivable (September 30, 2009 - 90%). Included in accounts receivable is an allowance for doubtful accounts of \$117 (September 30, 2009 - \$78).

Liquidity risk

The Company's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities. The Company's undiscounted financial liability expected maturities do not differ significantly from the contractual maturities. The Company's undiscounted financial liability contractual maturities, which include interest thereon, are as set out in the summary of contractual obligations. The Company does not anticipate that the timing and amounts of these existing contractual obligations will vary significantly from those shown in note 12. As at December 31, 2009, the Company has financial assets expected to generate sufficient cash inflows to meet cash outflows on financial liabilities.

Notes to the Consolidated Financial Statements *(continued)*

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

11. Segmented information

The Company operates in one operating segment - biopharmaceutical products. Management assesses performance and makes resource decisions based on the consolidated results of operations of this operating segment. Substantially all of the operations of the Company are directly engaged in or support this operating segment. Other operations are not material and share many of the same economic and operating characteristics as biopharmaceutical products and, accordingly, they are included with biopharmaceutical products for purposes of segment reporting.

The Company's operations are carried on in the following geographic locations:

Three month period ended December 31	2009	2008
Revenue		
Canada	\$ 29,547	\$ 19,119
United States	-	602
	\$ 29,547	\$ 19,721

All of the Company's property and equipment is located in Canada.

Geographic information about the Company's revenue is based on the location of the contracting organization.

The Company derives significant revenue from certain customers. During the three month period ended December 31, 2009, three Canadian customers (December 31, 2008 - three) accounted for \$16,369 or 55% (December 31, 2008 - \$11,911 or 60%) of the Company's consolidated revenue.

12. Commitments and Contingencies

Commitments

At December 31, 2009, the Company's contractual obligations for the next five years and thereafter are as follows:

	For the 12 month period ending December 31						
	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt	\$ 715	\$ 658	\$ 4,065	\$ -	\$ -	\$ -	\$ 5,438
Obligations under capital lease	15	7	3	1	-	1,155	1,181
Leased premises	154	176	162	162	162	855	1,671
Operating lease payments, sponsorships and other	2,244	651	21	-	-	-	2,916
	\$ 3,128	\$ 1,492	\$ 4,251	\$ 163	\$ 162	\$ 2,010	\$ 11,206

The Company has entered into agreements to lease premises in Toronto and Montreal, Canada. These leases expire at various dates ranging up to February 29, 2020. The Company has various operating leases, sponsorship agreements and other commitments made in the normal course of business, including the Company's commitment with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"), for a four-year Official Supplier partnership with VANOC.

Contingencies

The Company, a current serving officer, and certain of its former directors are named as defendants in two concurrent class action lawsuits. These two actions were filed in the Ontario Superior Court of Justice and Alberta. The lawsuits, brought on behalf of shareholders who purchased the Company's common shares between December 11, 2006 and March 23, 2007, allege primarily that the audited consolidated financial statements for the year ended September 30, 2006 and unaudited consolidated financial statements for the quarter ended December 31, 2006 were false and misleading and claim damages of \$110,000. A national law firm, Stikeman Elliott LLP, has been retained to represent the Company and certain officers and directors.

On September 16, 2009, the Company announced it has reached an agreement in principle, subject to court approval, to settle the proposed class action lawsuits. These claims remain unproven and the actions have not received court approval. The agreement in principle provides for the settlement, release and dismissal of all claims asserted against the Company, its former auditor and the individual proposed defendants. The Company's anticipated contribution to the settlement amount is to be funded through its insurance coverage. The agreement in principle remains subject to final settlement documents and receipt of court approval. The settlement does not constitute any admission of liability by the Company or its officers, directors and employees.

At December 31, 2009, the Company was involved in various other legal claims in the normal course of operations. Management has reviewed the claims and believes that it has adequately provided for provisions where required related to these legal claims.

Notes to the Consolidated Financial Statements *(continued)*

Three month period ended December 31, 2009. All amounts are in thousands of Canadian dollars, except share data (unaudited)

13. Comparative figures

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period consolidated financial statements.

14. Subsequent Event

Subsequent to the end of the quarter, the National Association of Pharmacy Regulatory Authorities ("NAPRA") issued a statement of position on Health Canada's Natural Health Products Regulations. These regulations came into effect in 2004 and included a requirement for all natural health products to obtain a license or Natural Product Number ("NPN"). The statement of position issued in January 2010 by NAPRA provides guidance that pharmacists should not sell a natural health product without a NPN. This is contrary to the position taken by Health Canada which indicates that natural health products will not be subjected to compliance action due to the lack of a NPN as long as they have applied for one. This policy was developed in recognition of a NPN application backlog at Health Canada and following extensive consultation with various stakeholders, including industry and pharmacists. The Company already holds NPNs for its main revenue generating product, COLD-FX, and has submitted applications for all other products it sells, including IMMUNITY-FX®. The backlog of applications at Health Canada may result in some delays in processing applications. Any delay in receipt of a NPN can have a negative impact on the timing and brand development for existing and new products.