Naturally Splendid Enterprises Ltd.

Consolidated Financial Statements

December 31, 2014

Expressed in Canadian Dollars

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NATURALLY SPLENDID ENTERPRISES LTD.

We have audited the accompanying consolidated financial statements of Naturally Splendid Enterprises Ltd., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Naturally Splendid Enterprises Ltd. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 28, 2015

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Naturally Splendid Enterprises Ltd.
Consolidated Statements of Financial Position
As at December 31
(Expressed in Canadian Dollars)

	Note	2014 $	2013 $
Assets			
Current			
Cash and cash equivalents	14	25,404	189,667
Trade and other receivables	6	58,266	119,304
Inventories	7	277,773	269,514
Advances and prepaid expenses	18(a)	230,382	123,547
Deposit		40,000	-
		631,825	702,032
Deposit		-	40,000
Restricted cash	10	17,310	17,368
Property and equipment	11	99,231	71,160
		748,366	830,560
Liabilities			
Current			
Trade payables		126,882	196,199
Capital lease obligation current portion	12	4,182	-
		131,064	196,199
Due to related parties	8	-	3,675
Capital lease obligation	12	8,912	-
		139,976	199,874
Equity			
Share capital	13	6,403,221	4,853,214
Subscriptions received	18(b)	106,920	-
Reserves	13	355,498	238,964
Deficit		(6,257,249)	(4,461,492)
		608,390	630,686
		748,366	830,560

Events after the reporting period (Note 18)

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON April 28, 2015:

"J. Craig Goodwin" (signed) Director
J. Craig Goodwin

"Peter Hughes" (signed) Director
Peter Hughes

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

Naturally Splendid Enterprises Ltd.

Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31
(Expressed in Canadian Dollars)

	Note	2014 $	2013 $
Revenue		234,761	132,578
Cost of sales		193,092	107,910
Gross profit		41,669	24,668
Selling and distribution expenses			
Commissions and direct selling expenses		5,741	6,769
Product development, net of grants		7,944	24,298
Product promotion and trade shows		172,948	293,239
Salaries and wages		68,468	65,004
Bad debts		27,729	-
		282,830	389,310
Administrative expenses			
Accounting and audit		96,763	63,809
Amortization		30,371	17,412
Bank charges and interest		4,899	3,354
Consulting	9	135,172	89,134
Directors' fees	9	-	27,000
Legal fees		97,316	45,263
Management fees	9	264,000	171,850
Office and general	15	244,887	142,106
Promotion		343,248	196,048
Share-based payments	9, 13	201,351	204,212
Transfer agent and filing fees		107,461	59,832
Travel		30,938	38,262
		1,556,406	1,058,282
		(1,797,567)	(1,422,924)
Foreign exchange		(1,029)	(168)
Gain on forgiveness of accounts payable		-	953
Interest income		2,839	5,722
Listing expense	4	-	(1,328,650)
Net loss and comprehensive loss for the year		(1,795,757)	(2,745,067)
Loss per share – basic and diluted		(0.06)	(0.11)
Weighted average number of common shares outstanding		30,110,027	24,635,495

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

Naturally Splendid Enterprises Ltd.
Consolidated Statements of Cash Flows
Years ended December 31
(Expressed in Canadian Dollars)

	2014	2013
	$	$
Cash flows used in operating activities		
Net loss and comprehensive loss for the year	(1,795,757)	(2,745,067)
Adjustments to reconcile loss to net cash		
Amortization	30,371	17,412
Share-based payments	201,351	204,212
Forgiveness of accounts payable	-	(953)
Listing expense	-	1,328,650
Changes in non-cash working capital items		
Trade and other receivables	61,038	(90,769)
Inventories	(8,259)	(246,811)
Advances and prepaid expenses	(106,835)	(113,615)
Trade payables	(69,317)	117,866
	(1,687,408)	(1,529,075)
Cash flows used in investing activities		
Purchase of property and equipment, net	(34,046)	(67,811)
Rental deposit	-	(40,000)
Restricted cash	58	(17,368)
Cost of acquisition	-	(59,339)
Repayment of capital lease	(11,302)	-
	(45,290)	(184,518)
Cash flows from financing activities		
Repayments to related parties	(3,675)	(7,121)
Proceeds from issuance of shares, net	1,259,086	2,049,126
Proceeds from options exercised	87,500	-
Proceeds from warrants exercised	118,604	-
Subscriptions received	106,920	-
Repayment of loans payable	-	(167,832)
	1,568,435	1,874,173
Increase (decrease) in cash and cash equivalents	(164,263)	160,580
Cash and cash equivalents obtained on acquisition	-	24,010
Cash and cash equivalents, beginning of year	189,667	5,077
Cash and cash equivalents, end of year	25,404	189,667

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

Naturally Splendid Enterprises Ltd.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Class B common shares	Class C common shares	Common shares	Share capital ($)	Subscriptions received ($)	Reserves ($)	Deficit ($)	Total equity (deficiency) ($)
Balance at December 31, 2012	8,400,000	6,385,457	-	1,546,300	-	-	(1,716,425)	(170,125)
Exchange of shares on acquisition	(8,400,000)	(6,385,457)	11,599,971	1,274,540	-	18,000	-	1,292,540
Issued and outstanding shares of Race Capital Corp. (Note 4)	-	-	4,000,000	-	-	-	-	-
Private placement, net of share issue costs	-	-	12,802,654	1,963,988	-	42,654	-	2,006,642
Warrants exercised	-	-	328,480	42,484	-	-	-	42,484
Reclass warrants exercised	-	-	-	25,902	-	(25,902)	-	-
Share-based payments	-	-	-	-	-	204,212	-	204,212
Net loss for the year	-	-	-	-	-	-	(2,745,067)	(2,745,067)
Balance at December 31, 2013	-	-	28,731,105	4,853,214	-	238,964	(4,461,492)	630,686
Balance at December 31, 2013	-	-	28,731,105	4,853,214	-	238,964	(4,461,492)	630,686
Private placement, net of share issue costs	-	-	6,843,500	1,259,086	-	-	-	1,259,086
Private placement subscriptions received	-	-	-	-	106,920	-	-	106,920
Warrants exercised	-	-	584,394	118,604	-	-	-	118,604
Options exercised	-	-	500,000	87,500	-	-	-	87,500
Reclassify options and warrants exercised	-	-	-	84,817	-	(84,817)	-	-
Share-based payments	-	-	-	-	-	201,351	-	201,351
Net loss for the year	-	-	-	-	-	-	(1,795,757)	(1,795,757)
Balance at December 31, 2014	-	-	36,658,999	6,403,221	106,920	355,498	(6,257,249)	608,390

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

1. Nature of Operations and Going Concern

Naturally Splendid Enterprises Ltd. (formerly Race Capital Corp. ("Race")) (the "Company") was incorporated under the laws of the province of British Columbia on December 21, 2010.

The Company is in the natural food industry and provides food supplements packaged for distribution through grocery stores, health and nutrition stores, and other outlets where consumers purchase health-related products. Materials are sourced in bulk and repackaged at the Company's facility with its unique branding under the Company's name. Current products are hemp-based food items that are both conventional and organic, including whole grains and protein powders. Product sales are supported through a combination of direct sales and distribution channels.

The head office, principal address, and registered and records office is located at 605 - 1166 Alberni Street, Vancouver, British Columbia, Canada V6E 3Z3.

In February 2013, the Company acquired all the issued and outstanding shares of Naturally Splendid Enterprises Ltd. by amalgamation.

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the year ended December 31, 2014, the Company had a net loss of $1,795,757 (2013 - $2,745,067) and working capital of $500,761 (2013 - $505,833) as at December 31, 2014.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or positive cash flow. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and raise additional capital. These matters indicate the existence of material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption was inappropriate.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on the date noted on the consolidated statements of financial position.

b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in note 3. These consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' functional currency.

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company including:

	Relationship	Percentage
Naturally Splendid Enterprises Ltd.	Parent	100%
Naturally Splendid Enterprises 2013 Ltd.	Subsidiary	100%
Naturally Splendid USA Ltd.	Subsidiary	100%

Control is based on whether an investor has power over the investee and the ability to use its power over the investee to affect the amount of the returns. All intercompany balances and transactions are eliminated on consolidation.

3. Significant Accounting Policies

a) Cash equivalents

Cash equivalents include short-term liquid investments with maturities of 90 days or less, are readily convertible into known amounts of cash and which are subject to insignificant changes in value.

b) Inventories

Inventories are stated at the lower of production cost and net realizable value. Production costs include direct and indirect labour, operating materials and supplies, transportation costs, and an appropriate portion of fixed and variable overhead expenses. Inventories are accounted for on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

c) Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is provided at rates calculated to write-off the cost of property and equipment, less their estimated residual value, using the declining-balance or straight-line method over the following annual rates, with half the rate being applied in the year of acquisition:

Computer equipment	55% declining-balance
Furniture and equipment	20% declining-balance
Leasehold improvements	Straight line over 5 years
Website development cost	Straight line over 6 years

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

d) Revenue recognition

Sales revenues are recognized when the risks and rewards of ownership pass to the buyer, collection is reasonably assured and the price is reasonably determinable. The Company recognizes revenue from customer orders upon shipment of the order when risks and rewards have been transferred.

e) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

f) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based expense is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and non-employees, the fair value of share-based expense is recognized in profit or loss, with a corresponding increase in reserves.

g) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. Diluted loss per share is not presented if the effects are anti-dilutive.

h) Warrants

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

i) Research and development

Research costs are expensed as incurred. Product development expenditures are expensed as incurred until such time they meet certain specific criteria for deferral and amortization. Management assesses whether it has met such criteria at each reporting date. In making the assessment, management considers status of the product development, regulatory submissions, marketing and finance plans. The Company has not deferred any product development expenditures to date.

j) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates:

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Recoverability of accounts receivable

Provisions are made against accounts that, in the estimation of management, may be uncollectible. The recoverability assessment of accounts receivable is based on a range of factors including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted annually. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payments. To the extent that future events impact the financial condition of the customers these provisions could vary significantly.

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments:

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Valuation of inventory

Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates management considers the life of inventory and profitability of recent sales.

k) Income taxes

Deferred tax is calculated, using the financial position method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

l) Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”), loans and receivables, available-for-sale (“AFS”) or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets are classified as held-for-trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments are also categorized as held–for-trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents are included in this category of financial assets.

Held-to-maturity and loans and receivables

HTM and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial assets classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Advances and trade and other receivables are classified as loans and receivables.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, AFS financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset. AFS assets include short-term investments in equities of other entities.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, comprised of financial liabilities held-for-trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss. Trade payables are included in this category of financial liabilities.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized, respectively, in interest, other revenues and finance costs. Amounts due to related parties are included in this category of financial liabilities.

Impairment of financial assets

The Company assesses at each consolidated statement of financial position date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Impairment of available-for-sale

If an AFS financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

Hierarchy

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

m) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's 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 amortization, if no impairment loss had been recognized.

n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

o) Future accounting pronouncements

Accounting standards effective during the year:

The following new standards have been adopted for the fiscal year beginning January 1, 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments:* Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The application of these standards has not had a material impact on the results and financial position of the Company.

New accounting standards issued but not yet effective applicable to the Company are as follows:

IFRS 9 *Financial Instruments*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's consolidated financial statements has not yet been determined.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS is applicable to annual periods beginning on or after January 1, 2017. The impact of IFRS 15 on the Company's consolidated financial statements has not yet been determined.

4. Acquisition

On February 28, 2013, Race acquired all of the issued and outstanding shares of Naturally Splendid Enterprises Ltd. ("NS") by completing a three-cornered amalgamation. Pursuant to the three-cornered amalgamation, NS and a wholly-owned subsidiary of Race, 0938215 B.C. Ltd., amalgamated to form a new company called "Naturally Splendid Enterprises 2013 Ltd." (the "Amalgamation"), and in consideration the shareholders of NS exchanged all of their issued and outstanding shares for 11,599,971 shares of Race. Immediately following the Amalgamation, Race changed its name to "Naturally Splendid Enterprises Ltd.".

(Expressed in Canadian Dollars)

As a result of the transaction, the former shareholders of NS own in excess of 50% of the outstanding shares of the amalgamated entity. For accounting purposes, NS is considered to be the accounting acquirer, and therefore, the corporate merger has been accounted for as a reverse takeover. For financial reporting purposes, the Company is considered a continuation of NS, the legal subsidiary, except with regard to authorized and issued share capital, which is that of Race, the legal parent. Consequently, comparative amounts in these consolidated financial statements are those of NS only. Race was not considered to be an acquired business under accounting guidance as it was a CPC. Therefore, the corporate merger has been accounted for as a capital transaction and not a business combination. Further, in accordance with IFRS, as the transaction is not considered to be a business acquisition, IFRS 3 *Business Combinations* is not applicable, and such transactions have been accounted for pursuant to IFRS 2 *Share-based Payment*. Pursuant to IFRS 2, an equity-settled, share-based payment is to be measured based on the value of the goods or services received along with the corresponding increase in equity. If the value of the goods or services cannot be measured reliably, the fair value of the equity instruments given up should be used.

Prior to the transaction, Race had 200,000 share purchase warrants outstanding. These warrants have been revalued at the date of the transaction and the resulting fair value of $18,000 has been included as part of transaction costs (Note 13(d)).

As consideration for the transaction, Race issued 11,599,971 common shares in exchange for all of the issued and outstanding Class A and B common shares of NS.

The transaction was recorded as follows:

Fair value of shares issued	$1,274,540
Transaction costs	77,339
	1,351,879
Net assets acquired	(23,229)
Amount allocated as listing expense	$1,328,650

5. Financial Instruments

a) Categories of financial instruments

	2014 $	2013 $
FINANCIAL ASSETS		
Fair value through profit or loss, at fair value		
Cash and cash equivalents	25,404	189,667
Loans and receivables, at amortized cost		
Trade and other receivables	44,699	92,018
Restricted cash	17,310	17,368
Total financial assets	87,413	299,053
FINANCIAL LIABILITIES		

Other liabilities, at amortized cost		
Trade payables	126,882	196,199
Due to related parties	-	3,675
Total financial liabilities	126,882	199,874

b) Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these consolidated financial statements to approximate their fair values due to the short-term maturity of these instruments.

c) Management of financial risks

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company’s ability to continue as a going concern. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk
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.

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade receivables. The Company deposits cash and cash equivalents with major Canadian commercial banks. In order to reduce its credit risk in relation to trade receivables, the Company has adopted credit policies that include the analysis of the financial position of its customers and the regular review of their respective credit limits.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due.

The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows and matches the maturity dates of its cash and cash equivalents to capital and operating needs.

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at December 31, 2014, the Company had sufficient funds to cover its current obligations. At year-end, accounts payable and accrued liabilities amounted to $126,882 (2013 – $196,199), which are due in the first quarter of fiscal 2015. At December 31, 2014, the Company had working capital of $500,761 (2013 - $505,833).

Other risk

(Expressed in Canadian Dollars)

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or other price risk.

The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of foreign currency, commodity or interest rate risks.

6. Trade and Other Receivables

The Company's trade and other receivables arise from two main sources: trade receivables due from customers and Goods and Services Tax/Harmonized Sales Tax ("GST/HST") due from government authorities. These are as follows:

	2014 $	2013 $
GST/HST receivable	13,567	27,286
Trade receivables	44,699	92,018
	58,266	119,304

Trade receivables for 2014 are net of an allowance for bad debts of $27,729 (2013 - $nil).

7. Inventories

	2014 $	2013 $
Seed and finished products for resale	137,427	35,916
Containers, labels and raw products	140,346	233,598
	277,773	269,514

8. Amounts Due to Related Parties

The Company's related parties consist of companies controlled by executive officers and directors.

As at December 31, 2014 and 2013, the amounts due to related parties include:

	2014 $	2013 $
Due to officers and directors	-	3,675

Amounts due to/from related parties are non-interest-bearing, unsecured and have no fixed terms of repayment.

(Expressed in Canadian Dollars)

9. Key Management Compensation

The remuneration of directors and other members of key management for the years ended December 31, 2014 and 2013 were as follows:

	2014 $	2013 $
Management fees	264,000	171,850
Directors' fees	-	27,000
Consulting fees	38,500	-
Share-based payments (Note 13)	201,351	204,212
	503,851	403,062

Management fees are paid to the Chief Executive Officer, Vice President Operations and a professional consulting company controlled by the Chief Financial Officer. Consulting fees were paid to a company controlled by a director in his capacity as an agricultural industry expert and consultant.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the period.

10. Restricted Cash

The Company has deposited funds in an interest-bearing term deposit with its principal banker as security against corporate credit lines.

(Expressed in Canadian Dollars)

11. Property and Equipment

The changes in the Company's property and equipment for the years ended December 31, 2014 and 2013 are as follows:

	Computer equipment	Furniture and equipment*	Leasehold improvements	Website development costs	Total
	$	$	$	$	$
COST					
As at December 31, 2012	23,212	48,770	-	7,500	79,482
Additions	23,867	40,269	4,300	-	68,436
As at December 31, 2013	47,079	89,039	4,300	7,500	147,918
Additions	9,393	33,381	15,668	-	58,442
As at December 31, 2014	56,472	122,420	19,968	7,500	206,360

	Computer equipment	Furniture and equipment	Leasehold improvements	Website development costs	Total
	$	$	$	$	$
AMORTIZATION AND IMPAIRMENT					
As at December 31, 2012	22,521	30,575	-	5,625	58,721
Additions	9,707	6,025	430	1,875	18,037
As at December 31, 2013	32,228	36,600	430	7,500	76,758
Additions	14,593	13,177	2,601	-	30,371
As at December 31, 2014	46,821	49,777	3,031	7,500	107,129

	Computer equipment	Furniture and equipment	Leasehold improvements	Website development costs	Total
	$	$	$	$	$
NET BOOK VALUE					
December 31, 2013	14,851	52,439	3,870	-	71,160
December 31, 2014	9,651	72,643	16,937	-	99,231

*Included in furniture and equipment additions is a capital lease for $22,800.

(Expressed in Canadian Dollars)

12. Capital Lease Obligation

During year ended December 31, 2014 the Company entered into a lease contract for equipment used in operations. The Company has accounted for this as a capital lease obligation.

The following table summarizes the outstanding obligation:

	2014 $	2013 $
Lease payments due within one year	5,859	-
Lease payments due within two to five years	8,848	-
Total lease payments	14,707	-
Lease payment amounts representing interest	(1,613)	-
Present value of net minimum lease payments	13,094	-
Current portion	(4,182)	-
	8,912	-

13. Share Capital

a) Authorized

Unlimited number of common shares and preferred shares without par value.

b) Issued and outstanding

The total issued and outstanding share capital consists of 36,658,999 common shares without par value.

During the year ended December 31, 2014, the Company issued:

- 6,843,500 units at $0.20 per unit for gross proceeds of $1,368,700. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at $0.30 for a period of two years from date of issue. The Company will have the right to accelerate the expiry of the warrants if at any time the average closing price of the Company's shares is equal to or greater than $0.40 per share for 10 consecutive trading days. In the event of acceleration, the expiry date shall be accelerated to 30 days after the Company issues a news release announcing its election to exercise the acceleration right. The Company paid $109,614 and issued 382,650 finders warrants as finders' fees for the private placement. Each finders warrant is exercisable on the same terms as the warrants attached to the units issued.
- 500,000 common shares upon the exercise of 500,000 options at a price of $0.175 per share for gross proceeds of $87,500.
- 366,394 common shares upon the exercise of 366,394 warrants at a price of $0.175 per share for gross proceeds of $64,119.

- 218,000 common shares upon the exercise of 218,000 warrants at a price of $0.25 per share for gross proceeds of $54,485.

During the year ended December 31, 2013 the Company completed the following transactions:

- 2,802,654 units were issued at a price of $0.175 per share for gross proceeds of $490,465. Each unit was comprised of one common share of the Company and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at $0.25 per share for a period of two years from the date of the issue. The Company will have the right to accelerate the expiry date of the Warrants if, at any time, the volume weighted average price of the Company's common shares is equal to, or greater than $0.35 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right. The Company paid finders cash commissions totaling $20,150 and issued a finder 98,000 non-transferable warrants. Each finders' warrant is exercisable on the same terms as the Warrants described above.
- 200,000 shares were issued pursuant to the exercise of 200,000 warrants at an exercise price of $0.10 per share for proceeds of $20,000.
- 128,480 shares were issued pursuant to the exercise of 128,480 warrants at an exercise price of $0.175 per share for proceeds of $22,484.
- 10,000,000 common shares at a price of $0.175 per share for gross proceeds of $1,750,000 (the "Financing") less share issue costs of $213,053. Pursuant to an Agency Agreement signed with the Agent on June 6, 2012, the Company paid the Agent a cash commission of $105,105 equal to 10% of gross proceeds for shares sold, except those shares sold pursuant to a list of purchasers provided to the Agent by the Company (the "President's List"), for which the Agent received a cash commission of $34,948 equal to 5%. The Agent was also granted non-transferable share purchase warrants (the "Agent Warrants") to purchase up to 10% of the number of shares sold under the Financing to purchasers not on the President's List at a price of $0.175 per share for a period of twelve months from the date of closing of the Financing. This amounts to 600,600 warrants valued at $36,000 and are included as part of share issue cost (Note 13(d)). In addition, the Company paid the Agent a corporate finance fee of $50,000 and reimbursed expenses incurred by the Agent in connection with the Financing, which amounted to approximately $23,000.
- 11,599,971 shares were issued in exchange for 8,400,000 Class B common shares and 6,385,457 Class C common shares of NS.

(Expressed in Canadian Dollars)

c) Stock-based compensation

The following is a summary of changes in stock options for the years ended December 31, 2014 and 2013:

	2014		2013	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	1,750,000	$ 0.175	-	$ -
Options granted	1,159,750	$ 0.196	2,050,000	$ 0.175
Options exercised	(500,000)	$ 0.175	-	$ -
Options cancelled	-	$ -	(300,000)	$ 0.175
Options outstanding and exercisable, end of year	2,409,750	$ 0.185	1,750,000	$ 0.175

The following are the outstanding stock options as of December 31, 2014:

	Number of options outstanding		Weighted
Expiry date	**2014**	**2013**	**average exercise price**
March 24, 2016	460,000	-	$ 0.200
April 16, 2017	199,750	-	$ 0.200
March 4, 2018	1,250,000	1,750,000	$ 0.175
March 12, 2019	500,000	-	$ 0.190
	2,409,750	1,750,000	
Weighted average remaining contractual life in years	2.942	4.26	

During the year ended December 31, 2014, the Company recognized share-based payments expense of $201,351 (2013 - $204,212) in relation to 1,159,750 (2013 - 2,050,000) stock options granted during the year. With a weighted average fair value of $0.17 (2013 - $0.12), the fair value of each option granted was estimated as at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	**2013**
Risk-free interest rate	1.33%	1.30%
Expected life (years)	3.47	5
Annualized volatility	92.26%	90%
Expected dividends	-	N/A
Exercise price	$0.20	$0.175

(Expressed in Canadian Dollars)

d) Warrants

A summary of the Company's warrants for the years ended December 31, 2014 and 2013 is as follows:

	2014			2013		
	Number of warrants		Weighted average exercise price (CDN $)	Number of warrants		Weighted average exercise price (CDN $)
Warrants outstanding, beginning of year	3,372,774	$	0.240	-	$	-
Issued by previous company	-		-	200,000	$	0.10
Issued	3,804,400	$	0.300	3,501,254	$	0.24
Exercised	(584,394)	$	0.203	(328,480)	$	0.13
Expired	(105,726)	$	0.175	-		-
Warrants outstanding, end of year	6,487,054	$	0.279	3,372,774	$	0.24

	Outstanding warrants				
	2014	2013		Exercise price (CDN $)	Expiry date
Common share purchase warrants	2,642,654	2,802,654	$	0.25	November 1, 2015
Common share purchase warrants	3,421,750	-	$	0.30	April 26, 2016
Agent warrants	40,000	98,000	$	0.25	November 1, 2015
Agent warrants	382,650	-	$	0.30	April 26, 2016
Agent warrants	-	472,120	$	0.18	February 28, 2014
	6,487,054	3,372,774			

During the year ended December 31, 2014, the Company recognized share-based payments expense of $nil (2013 - $42,654) in relation to 698,600 warrants issued as finder's fees during the 2013 year-end. With a fair value of $nil (2013 - $0.07), each warrant granted was estimated as at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Risk-free interest rate	N/A	1.27%
Expected life	N/A	1.14 years
Annualized volatility	N/A	90%
Expected dividends	N/A	-
Exercise price	N/A	$0.19

(Expressed in Canadian Dollars)

e) Reserves

As of December 31, 2014 and 2013 the reserves of the Company were as follows:

	2014 $	2013 $
Stock option reserves	343,279	204,212
Warrant reserves	12,219	34,752
Total reserves	355,498	238,964

14. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as at December 31, 2014 and 2013:

	2014 $	2013 $
Cash	14,180	40,635
Guaranteed investment certificates	11,224	149,032
Total cash and cash equivalents	25,404	189,667

15. Commitments

On May 23, 2013, the Company entered into an offer to lease new premises with a lease term commencement date of June 1, 2013, terminating July 31, 2018. The basic rent is payable in advance at a rate of $3,656 per month plus the proportionate share of expenses in respect of operating costs and property taxes amounting to $2,072 per month. Included in office and administration expense is rent expense of $68,739 (2013 - $17,770).

Year	Amount
2015	$ 68,736
2016	$ 68,736
2017	$ 68,736
2018	$ 40,096

(Expressed in Canadian Dollars)

16. Income Taxes

A reconciliation of income tax provisions computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2014 $	2013 $
Loss before income taxes	(1,795,757)	(2,745,067)
Expected income tax recovery	(466,897)	(706,855)
Adjustment resulting from		
Differences between Canadian and foreign tax rates	(103)	(25,108)
Non-deductible items	68,509	55,327
Temporary differences	(28,231)	(34,592)
Over provided in prior years	(97,209)	-
Unused tax losses	523,931	711,228
Income tax recovery	-	-

The Canadian federal corporate tax rate remained unchanged at 15% throughout 2014 and the British Columbia provincial tax rate increased from 10% to 11% effective April 1, 2013. For 2014 the overall increase in tax rates has resulted in an increase in the Company's statutory tax rate from 25.5% to 26%.

The Company recognizes tax benefits on losses or other deductible amounts generated where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2014 $	2013 $
Deferred tax assets		
Non-capital losses	6,047,427	4,104,612
Share issue costs	227,984	187,058
Property and equipment	99,631	68,635
Unrecognized deferred tax	6,375,042	4,360,305

(Expressed in Canadian Dollars)

As at December 31, 2014, the Company has non-capital losses carried forward for Canadian purposes aggregating approximately $6,047,000 available to reduce taxable income otherwise calculated in future years. These losses expire as follows:

Year	**Amount** $
2028	452,201
2029	228,860
2030	172,798
2031	672,019
2032	228,387
2033	2,723,602
2034	1,569,560
	6,047,427

17. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued capital and deficit. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash and investments.

The Company's policy is to invest its excess cash in highly-liquid, guaranteed, bank-sponsored instruments.

There were no significant changes in the Company's approach or objectives and policies for managing its capital during the year ended December 31, 2014.

The Company is not subject to externally imposed capital restrictions.

18. Events After the Reporting Period

The Company has evaluated the events occurring subsequent to December 31, 2014 and determined that the following were reportable events:

a) On February 25, 2015, the Company closed the transaction previously announced on November 20, 2014, whereby the Company, through its wholly-owned subsidiary Naturally Splendid USA Ltd. ("Naturally Splendid USA") entered into a Novation Agreement with Full Spectrum Laboratories Limited ("FSL"), Boreal Technologies, Inc. ("Boreal"). Boreal assigned all rights, title and interest in and to a Restated and Amended License Agreement between FSL and Boreal (the "License Agreement").

Under the terms of the Novation Agreement, Naturally Splendid USA paid CDN $725,000 to Boreal and issued to Full Spectrum Partners, LLLP (an entity controlled by FSL) 2,928,571 common shares.

As of December 31, 2014 the Company paid $176,000 of the $725,000 in advance and is included in advances and prepaid expenses. On closing of the Novation Agreement, Naturally Splendid USA became the licensee under the License Agreement. The License Agreement provides that the licensee has a worldwide license to manufacture, commercialize and sell products based on the proprietary technology of Full Spectrum, including on an exclusive basis, (i) the terpene, hemp oil and cannabinoid formulation technology, (ii) the omega formulation technology, (ii) protein formulation technology, (iv) the cannabinoid technology, and the (v) the tongkat ali formulations; and on a non-exclusive basis, (i) the Supercritical CO2 and plant oil extraction technology, (ii) genetic plant and artificial seed technology, (iii) biosynthesis of cannabinoids, and (iv) microencapsulation of cannabinoid oils. In consideration of the License, the licensee will be required to pay to FSL a 4.5% gross revenue royalty. Commencing November 17, 2016 and each year thereafter, the licensee will be obligated to pay a minimum gross revenue royalty of USD $1.6 million. Notwithstanding the foregoing, no royalties will be payable to FSL on the first CDN $1,750,000 of royalties payable under the License Agreement.

The term of the License Agreement is for a period of 10 years and may, at the option of Naturally Splendid USA, be renewed for an additional 5 years.

FSL will have the right to terminate the License Agreement in the event that (i) Naturally Splendid USA fails to make a payment due under the License Agreement and remains in default of such non-payment, (ii) Naturally Splendid USA is in breach of a material term of the License Agreement, (iii) Naturally Splendid USA becomes insolvent, or (iv) a change of “Control” in Naturally Splendid USA. “Control” is defined as the issuance of 50% of the issued and outstanding shares of Naturally Splendid USA.

Charles R. Brink, the president of Naturally Splendid USA, is a principal with Boreal and Full Spectrum. Mr. Brink was subsequently appointed to the board of directors of the Company.

b) On February 25, 2015, the Company completed the previously announced private placement offering, issuing 7,388,582 units (the “Units”), consisting of 7,388,582 shares and 3,694,291 warrants, at a price of $0.25 per Unit for gross proceeds of $1,847,145 (the “Offering”). Each share purchase warrant entitles the holder to purchase one additional common share at $0.40 per share for a period of two years from the date of the issue. Naturally Splendid will have the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of Naturally Splendid’s common shares is equal to or greater than $0.50 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after Naturally Splendid issues a news release announcing that it has elected to exercise this acceleration right. The Company paid finders’ fees of $36,720 and issued 146,880 agent warrants on the same terms as the warrants above. As at December 31, 2014 the Company had received $106,920 pursuant to this placement.

c) On March 23, 2015, the Company issued 2,050,000 stock options to officers, directors, employees and consultants of the Company for a period of five years, expiring March 5, 2020 and exercisable at a price of $0.40 per share.

d) Subsequent to the year-end, the Company issued 4,796,981 shares as a result of the exercise of 4,796,981 warrants at prices ranging from $0.25 to $0.30 and 640,000 stock options at prices ranging from $0.19 to $0.20, for gross proceeds of $1,264,997.

e) On April 25, 2015, the Company entered into a non-binding letter of intent with POS Holdings Corp. ("POS") whereby the Company and POS have agreed to finalize a definitive agreement setting forth the proposed purchase by the Company of 51% of the issued and outstanding shares of POS BPC Manufacturing Corp.

As consideration, the Company will pay $1,750,000 and issue $250,000 of common shares of the Company at a price equal to the five day average closing price of the common shares of the Company prior to the date of the letter of intent. The parties have agreed that the consideration shares will be escrowed for a period of twelve months.

After closing of the transaction, each of POS and the Company will have an equal number of directors of POS BPC Manufacturing Corp., and POS will continue to be the operator of the BPC facility.

The transaction is subject to shareholder and regulatory approval.