Consolidated Financial Statements

Calyx Bio-Ventures Inc.

December 31, 2014 and 2013

[Expressed in Canadian dollars]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calyx Bio-Ventures Inc.

We have audited the accompanying consolidated financial statements of Calyx Bio-Ventures Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of net loss and comprehensive loss, change in 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.

Auditor's 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 auditor's 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 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 Calyx Bio-Ventures Inc. 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 modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Calyx Bio-Ventures Inc.'s ability to continue as a going concern.

DMCL

CHARTERED ACCOUNTANTS

Vancouver, Canada

April 28, 2014

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[Expressed in Canadian Dollars]

		As at December 31	
		2014	2013
	Notes	$	$
ASSETS			
Current			
Cash		17,083	497,540
Accounts and other amounts receivable		15,681	48,192
Prepaid expenses and deposits		13,215	91,060
Total current assets		45,979	636,792
Non-Current Assets			
Equipment	7	14,500	-
Intangible assets	6	276,200	-
Total assets		336,679	636,792
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		81,915	162,671
Shareholders' equity			
Share capital	9	6,712,163	6,462,163
Warrants	9	533,014	1,318,613
Contributed surplus	9	1,726,159	882,931
Deficit		(8,716,572)	(8,189,586)
Total shareholders' equity		254,764	474,121
Total liabilities and shareholders' equity		336,679	636,792
Nature and continuance of operations	1		
Subsequent events	9, 14		

See accompanying notes

On behalf of the Board:

Director *"Hugh Notman"*

Director *"Don Konantz"*

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

[Expressed in Canadian Dollars]

		Years ended December 31	
		2014	2013
	Notes	$	$
EXPENSES			
Depreciation	7	5,500	-
Depreciation of intangible assets	6	7,891	-
Personnel costs	10	236,645	660,915
Professional and regulatory		90,850	120,412
Marketing		135,167	204,675
Office and administrative		34,595	41,600
		510,648	1,027,602
Loss before the undernoted		(510,648)	(1,027,602)
OTHER INCOME (EXPENSES)			
Share-based compensation	9	(57,629)	(437,370)
Write-off of accounts payable		42,544	-
Foreign exchange loss		(1,253)	(3,641)
Loss after other income (expenses)		(526,986)	(441,011)
Equity loss from interest in associate	8	-	(1,909,713)
Impairment loss in interest in associate	8	-	(162,338)
Net loss and comprehensive loss for the year		(526,986)	(3,540,664)
Basic and diluted loss per common share		(0.01)	(0.11)
Weighted average number of common shares outstanding - basic and diluted		38,954,632	33,328,509

See accompanying notes

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

[Expressed in Canadian Dollars]

	Notes	Number of Shares	Share Capital $	Warrants $	Contributed Surplus $	Deficit $	Total Shareholders' Equity $
Balance, December 31, 2013		38,351,892	6,462,163	1,318,613	882,931	(8,189,586)	474,121
Net and comprehensive loss		-	-	-	-	(526,986)	(526,986)
Warrants expired	9(b)	-	-	(785,599)	785,599	-	-
Issue shares - acquisition	5	10,000,000	250,000	-	-	-	250,000
Share-based compensation	9(d)	-	-	-	57,629	-	57,629
Balance, December 31, 2014		48,351,892	6,712,163	533,014	1,726,159	(8,716,572)	254,764
Balance, December 31, 2012		29,557,067	5,818,757	735,220	372,163	(4,515,585)	2,410,555
Net and comprehensive loss		-	-	-	-	(3,540,664)	(3,540,664)
Warrant revaluation	9(b)	-	-	133,337	-	(133,337)	-
Warrants expired	9(b)	-	-	(82,960)	82,960	-	-
Issue units - private placement	9(a)	8,453,333	696,333	609,626	-	-	1,305,959
Unit issue costs	9(a),9(b)	-	(96,638)	(76,610)	-	-	(173,248)
Issue shares - options exercised	9(c),9(d)	341,492	43,711	-	(9,562)	-	34,149
Share-based compensation	9(c),9(d)	-	-	-	437,370	-	437,370
Balance, December 31, 2013		38,351,892	6,462,163	1,318,613	882,931	(8,189,586)	474,121

See accompanying notes

Calyx Bio-Ventures Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian Dollars]

	Years ended December 31	
	2014	2013
	$	$
OPERATING ACTIVITIES		
Net loss for the year	(526,986)	(3,540,664)
Add (deduct) items not involving cash:		
Depreciation	5,500	-
Depreciation of intangible assets	7,891	-
Write-off of accounts payable	(42,544)	-
Share-based compensation	57,629	437,370
Equity loss from interest in associate	-	1,909,713
Impairment loss in interest in associate	-	162,338
Changes in working capital items relating to operations:		
Accounts and other amounts receivable	49,472	22,232
Prepaid expenses and deposits	77,845	63,027
Accounts payable and accrued liabilities	(109,264)	(37,144)
Cash used in operating activities	(480,457)	(983,128)
FINANCING ACTIVITIES		
Share-options exercised	-	34,149
Issuance of units	-	1,268,000
Cost of issuance	-	(135,289)
Cash provided by financing activities	-	1,166,860
Increase (decrease) in cash for the year	(480,457)	183,732
Cash, beginning of year	497,540	313,808
Cash, end of year	17,083	497,540
Supplementary information:		
Current receivables acquired from Cannigistics	16,961	-
Accounts payable and accruals acquired from Cannigistics	31,484	-

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian Dollars]

December 31, 2014 and 2013

1. NATURE AND CONTINUANCE OF OPERATIONS

Calyx Bio-Ventures Inc. ("Calyx" or "the Company") was incorporated under the Business Corporations Act (British Columbia) on June 10, 2008. The head office and registered address of the Company are located at 450 – 400 Burrard Street, Vancouver, BC, V6C 3A6. These consolidated financial statements reflect the consolidated financial position, statements of net loss and comprehensive loss, change in equity and cash flows of Calyx and its wholly owned subsidiaries (collectively, "the Company"). These consolidated financial statements were authorized for issue in accordance with a resolution of the directors on April 29, 2015.

These consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern which assumes that the Company will continue in operations for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. The Company incurred a loss of $526,986 and had negative cash flows from operations of $480,457 for the year ended December 31, 2014. The ability of the Company to continue as a going concern is dependent upon obtaining ongoing financing and there can be no assurance that the Company will be able to raise any capital through any type of offering or similar financial arrangement. This may cast significant doubt upon the entity's ability to continue as a going concern.

Through its wholly owned subsidiary, Cannigistics Agri-Solutions Corp. ("Cannigistics"), the Company is in the business of bringing technology solutions to advanced indoor agriculture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the accounts of Calyx and its wholly owned subsidiaries. Intercompany transactions and accounts have been eliminated on consolidation.

Critical judgments in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Going concern

As described in Note 1, these consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern.

Investment in Associate

As described in Note 8, management has assessed that the Company does not have control over Agrisoma and the investment has been accounted for using equity accounting.

Acquisition of Cannigistics

As described in Note 5, the acquisition of Cannigistics was determined to be an acquisition of assets and not a business combination.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment in future periods. The key assumption concerning the future and other key sources of estimation, uncertain at the reporting date that have a significant risk of causing a material adjustment is described below.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Warrant transactions

The Company values common share purchase warrants issued as part of private placement units and as non-cash compensation fees to brokers or finders for private placements at the fair value at the time of issuance. Estimating fair value for warrant transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the warrant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of long-lived assets
At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation
The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the reporting date. Non-monetary assets and liabilities are translated using historical exchange rates. Revenue and expense items are translated at the average exchange rate during the year. Exchange gains and losses are included in the determination of net loss for the year.

Equipment
Equipment is carried at cost less accumulated depreciation. The Company provides for depreciation of its equipment using the declining balance method with annual rates at 55%.

Intangible assets
Intangible assets with finite lives consist of acquired technologies and software. Intangible assets with finite lives are depreciated on a straight-line basis over their estimated useful lives and are measured at cost less accumulated depreciation and accumulated impairment losses. Cost for intangible assets acquired in a business combination represents the fair value of the asset at the time of the acquisition. Intangible assets with finite lives are currently depreciated over the following periods:

Estimated useful life	
Software	3 years

Interest in associate
The Company accounts for its investment in associates using the equity method of accounting. Under the equity method, the investment is carried in the statements of financial position at cost and is adjusted for the Company's share of the associate's profit or loss subsequent to the investment. Losses are recorded until the carrying amount is reduced to $Nil; losses beyond this point are not recognized until the Company makes additional investment in the associate or positive earnings are achieved by the associate and the Company's share of profits equals its share of losses not previously recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred obligations to provide funding to the associate. Details of the interest in associates are disclosed in Note 8.

Income taxes
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in associates, where deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Loss per common share
Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year excluding contingently issuable shares, if any. Since the Company's stock options are anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

Share-based compensation and other share-based payments
The Company records all share-based compensation awards to the Company's officers, directors and employees at fair value of the awards at the date they are granted. The Company records all share-based compensation awards to the Company's non-employees at fair value of the awards at measurement date. Graded vesting awards are accounted for as though each installment is a separate award. The fair value of stock options is determined using the Black-Sholes option pricing model. The estimate of fair value requires the determination of the most appropriate inputs to the model including the expected life of the award and volatility and making assumptions about them. The assumptions used for estimating fair value of share-based compensation awards are disclosed in Note 9. The fair value of stock options that vest in the year is recorded as an expense.

Common share purchase warrants
As part of financing, the Company may issue common share purchase warrants as part of units offered for sale and as compensation to brokers for placement of securities. The fair value of warrants is determined using the Black-Sholes option pricing model. The estimate of fair value requires the determination of the most appropriate inputs to the model including the expected life of the warrants and volatility and making assumptions about them. The assumptions used for estimating fair value of warrants are disclosed in Note 9.

3. CHANGES IN ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

IFRS 9 - Financial Instruments
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is January 1, 2018.

The Company has not early adopted this standard and is currently assessing the impact that this standard will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. FINANCIAL INSTRUMENTS

Recognition and Measurement

The Company has made the following classifications for its financial instruments:

a) Cash and accounts and other amounts receivable are classified as loans and receivables; and
b) Accounts payable are classified as other financial liabilities.

Management of Financial Risk

The Company, through its financial assets and liabilities, is exposed to various risks. The following is an analysis of risks as at December 31, 2014:

Financial Risk Management
The Board of Directors is responsible for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accounts and other amounts receivable and accounts payable.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and accounts and other amounts receivable. The cash consists of operating funds with commercial banks. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its accounts and other amounts receivables. This risk is minimal as receivables consist primarily of refundable government taxes.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Exchange Risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company is exposed to foreign exchange risk on its cash and its obligations under accounts payable. At December 31, 2014, the Company has the following amounts denoted in US currency: cash- $1,536, and accounts payable and accrued liabilities- $6,716.

The Company has expenditures denominated in US dollars. Fluctuations in the value of the US dollar relative to the Canadian dollar are not expected to have a significant impact the Company's results from operations.

5. ACQUISITION

Acquisition of Cannigistics Agri-Solutions Corp.
On December 9, 2014, the Company completed the acquisition of all of the issued and outstanding shares of Cannigistics. Cannigistics is a development stage company focused on bringing sophisticated, versatile and flexible technology solutions to advanced indoor agriculture.

The acquisition of Cannigistics was accounted for as an asset acquisition. The assets acquired and liabilities assumed are consolidated as of December 9, 2014.

Consideration paid for all of the issued and outstanding shares of Cannigistics consisted of 10,000,000 common shares of the Company with a fair value of $250,000.

An additional 3,000,000 common shares are issuable on the achievement of certain milestones by April 15, 2015 (Note 14).

[Expressed in Canadian Dollars]

Allocation of Value – Assets and Liabilities of Cannigistics:

Assets acquired:		
Current receivables	$	16,961
Computer equipment		20,000
Intangible assets - software		284,091
		321,052
Liabilities assumed:		
Accounts payable and accruals		31,484
Net assets acquired	**$**	**289,568**
Cost consisted of:		
Issuance of common shares	$	250,000
Transaction costs		39,568
Total cost of acquisition	**$**	**289,568**

The intangible assets acquired by the Company with the acquisition of Cannigistics were software related.

In connection with the acquisition of Cannigistics, the Company incurred legal and professional fees of $39,568. These transaction costs were added to the total purchase price and allocated among the net assets acquired.

6. INTANGIBLE ASSETS

As of December 31, 2014, the Company's intangible assets consist entirely of software. The Company's intangible assets are as follows:

		Software
December 31, 2013 and 2012	$	-
Acquired from Cannigistics (note 5)		284,091
Depreciation		(7,891)
December 31, 2014	$	276,200

All software related intangibles are being depreciated on a straight-line basis over three years.

7. EQUIPMENT

As of December 31, 2014, the Company's equipment was as follows:

		Computer Equipment
December 31, 2013	$	-
Acquired from Cannigistics (note 5)		20,000
Depreciation for the period		(5,500)
December 31, 2014	$	14,500

[Expressed in Canadian Dollars]

8. INTEREST IN ASSOCIATE

[a] As of December 31, 2014, the Company had an interest in Agrisoma Biosciences Inc. ("Agrisoma"), a company focused on carinata, a non-food oilseed crop that is a source of oil for biofuel production. During the year ended December 31, 2014, Agrisoma completed a third party financing without Calyx's participation. The resulting financing decreased Calyx's interest in Agrisoma to approximately 22.8%.

[b] The following table summarizes the Company's equity share of Agrisoma and the carrying value of its investment:

December 31, 2012	$ 2,072,051
Equity loss	(1,752,205)
Depreciate intangibles	(157,508)
Impairment loss	(162,338)
December 31, 2013 and 2014	$ -

[c] Impairment in carrying value of interest in associate:

During the year ended December 31, 2013, the Company wrote down the carrying value of the interest in associate to $Nil to reflect the uncertainty of Its investment in Agrisoma.

On April 14, 2015, Agrisoma purchased Calyx's interest in Agrisoma(Note 14).

9. EQUITY

[a] Share Capital

Authorized:
Common shares: unlimited number, without par value;
Preferred shares: unlimited number, issuable in series.

Issued and outstanding shares:

During the year ended December 31, 2014, the Company completed the following financing activities:

The Company issued 10,000,000 common shares for the acquisition of Cannigistics (Note 5).

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

<u>2013 Private placement- 5,230,000 units:</u>
On July 5, 2013, the Company completed a brokered private placement of 5,230,000 units at a price of $0.15 per unit for gross proceeds of $784,500. Each unit comprised one common share and one common share purchase warrant, exercisable into one common share at a price of $0.35 until January 5, 2015. As part of the units sold, 5,230,000 purchase warrants were issued and valued at $313,802 ($0.06 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of 1.5 years, volatility of 123.5%, expected dividend yield 0% and a 1.1% risk free rate of return.

The Company paid cash finders fees of $62,470 and issued 288,800 broker's warrants valued at $17,328 ($0.06 per warrant) calculated as above. The warrants are exercisable into one common share at a price of $0.35 until January 5, 2015. Additionally the Company incurred $17,072 in legal and regulatory fees in connection with the private placement. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

[Expressed in Canadian Dollars]

2013 Private placement- 3,223,333 units:
On September 18, 2013 the Company completed a non-brokered private placement of 3,223,333 units at a price of $0.15 per unit for gross proceeds of $483,500. Each unit comprised one common share and one common share purchase warrant, exercisable into one common share at a price of $0.35 until March 18, 2015. As part of the units sold, 3,223,333 purchase warrants were issued and valued at $257,867 ($0.08 per warrant) using the Black Scholes valuation model with the following assumptions: expected term of 1.5 years, volatility of 122.3%, expected dividend yield 0% and a 1.1% risk free rate of return.

The Company paid cash finders' fees of $38,730 and issued 257,867 finders' warrants valued at $20,629 ($0.08 per warrant) calculated as above. The warrants are exercisable into one common share at a price of $0.35 until March 18, 2015. Additionally the Company incurred $9,177 in legal and regulatory fees in connection with the private placement. All cash and non-cash costs are included in private placement issuance costs and are allocated to share capital and warrants on a pro-rata basis.

[b] Warrants

Warrant transactions during the year:

	Number of common shares issuable	Average warrant value $	Notes	Amount $
Balance, December 31, 2012	**8,252,334**			**735,220**
Private placement-5,230,000 units:				
Issued as component of units	5,230,000	0.06	9(a)	313,800
Issued as broker's warrants	288,800	0.06	9(a)	17,328
Issuance costs	-	-		(40,057)
Private placement-3,223,333 units:				
Issued as component of units	3,223,333	0.08	9(a)	257,867
Issued as finders' warrants	257,867	0.08	9(a)	20,631
Issuance costs	-	-		(36,553)
Expiry date extended on 6,666,834 units				133,337
Expired broker's warrants	(776,000)			(71,523)
Expired broker's finance unit warrants	(125,000)			(11,437)
Balance, December 31, 2013	**16,351,334**			**1,318,613**
Expired warrants	(7,351,334)			(785,599)
Balance, December 31, 2014	**9,000,000**			**533,014**

During the year ended December 31, 2013, 7,567,834 warrants issued in conjunction with private placements conducted in 2012 were scheduled to expire. A six month extension on the term to expiry was granted on 6,666,834 common share purchase warrants which were issued in two tranches on November 9, 2012 and December 13, 2012. As a result of the extension, 4,082,000 warrants expired on May 9, 2014 and 2,584,834 warrants expired on June 13, 2014. 901,000 warrants issued to brokers expired during 2013. The value of these warrants has been transferred to contributed surplus.

[Expressed in Canadian Dollars]

The extension of the expiry date for the warrants issued on November 9, 2012 and December 13, 2012 required re-valuation of these warrants in 2013. The Black-Scholes valuation model was used to estimate the incremental fair value of the warrants and the changes are summarized in the table below:

	Black-Scholes Valuation Model			Valuation		
	Term (yrs)	Risk free rate	Volatility	Per warrant	Total	Increase
4,082,000 warrants						
-revised expiry date	1.5	1.10%	116.0%	$0.13	$530,660	
-original expiry date	1.0	1.08%	127.0%	$0.11	449,020	$81,640
2,584,834 warrants						
-revised expiry date	1.5	1.13%	117.0%	$0.11	284,332	
-original expiry date	1.0	1.12%	124.0%	$0.09	232,635	51,697
TOTAL						$133,337

The warrant value was increased by $133,337 and charged to deficit.

During 2014, the 6,666,834 common share warrants, extended during 2013, expired without exercise. An additional 684,500 common share warrants expired without exercise during the year. The value of these warrants ($785,599) has been transferred to contributed surplus.

Warrants outstanding at December 31, 2014:

Exercise price	**Number of common shares issuable**	**Expiry date**	**Remaining contractual life (years)**
$0.35	5,518,800	January 4, 2015	0.01
$0.35	3,481,200	March 18, 2015	0.21
$0.35	**9,000,000**		

All warrants outstanding as at December 31, 2014 expired unexercised subsequent to year end.

[c] Contributed surplus

	Notes	Amount $
Balance, December 31, 2012		**372,163**
Share-based compensation		
Immediate vesting	9(d)	400,950
Graded vesting-2012 options		2,750
Graded vesting-2013 options	9(d)	33,670
Share options exercised		(9,562)
Expired common share purchase warrants	9(b)	82,960
Balance, December 31, 2013		**882,931**
Share-based compensation		
Immediate vesting	9(d)	26,550
Graded vesting-2013 options	9(d)	31,079
Expired common share purchase warrants	9(b)	785,599
Balance, December 31, 2014		**1,726,159**

[Expressed in Canadian Dollars]

[d] Stock options

The Company has a "rolling" stock option plan (the "Plan") that allows the Company to issue a number of stock options of up to 10% of the Company's issued and outstanding common shares at any given time. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or not more than 2% of the issued shares on a yearly basis if granted to any one consultant or to any one employee engaged in investor relations activities.

The term, subject to a maximum of ten years, and vesting period of the options is determined by the Board of Directors. The exercise price of the options are required to have an exercise price no less than the Discounted Market Price (as such term is defined in the policies of the TSX Venture Exchange, or "TSX-V"), or such other price as may be required by the TSX-V; there are no cash settlement alternatives for the option holders.

Stock option transactions are summarized as follows:

	Number of optioned common shares	**Weighted average exercise price $**
Balance, December 31, 2012	**1,443,245**	0.24
Options exercised	(341,492)	0.10
Options forfeited	(50,000)	0.10
Options granted	2,425,000	0.21
Balance, December 31, 2013	**3,476,753**	0.23
Options forfeited	(791,753)	0.25
Options granted	150,000	0.20
Balance, December 31, 2014	**2,835,000**	0.22

<u>Options granted in 2014:</u>

On February 13, 2014, 150,000 options were granted to directors of the Company during the year. These options vested on issue, have a five year term and are exercisable at $0.20 per share. The calculated value of these options was $26,550 and is included in share based compensation expense and the corresponding credit in contributed surplus. The value of the options was calculated using the Black-Scholes pricing model with the following assumptions: dividend yield 0.0%, expected volatility 138.17%; risk-free interest rate 1.69%, and an expected life of five years. The director resigned from the Board which resulted in the termination of these options in 2015.

The weighted average fair value of options granted during the year is $0.07 per share [2013-$0.20]. The total expense is $57,629 [2013-$437,370].

[Expressed in Canadian Dollars]

Options granted in 2013:

Immediate vesting:
Various five year term options were granted to executives and consultants, all with immediate vesting, as noted below. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted average assumptions:

			Black-Scholes assumptions				
Issue date	Exercise price	Options granted	Dividend yield	Expected volatility	Risk free interest rate	Expected life (years)	Estimated value of options
Sep 09/13	$0.20	1,600,000	0.00%	161%	1.89%	5.0	$296,000
Dec 04/13	$0.22	250,000	0.00%	153%	1.73%	5.0	$50,500
Dec 09/13	$0.27	225,000	0.00%	144%	1.73%	5.0	$54,450
		2,075,000					$400,950

Graded vesting:
350,000 options with a five year term and an exercise price of $0.20 per share were granted to a contractor with vesting occurring in four equal tranches every three months commencing three months after the date of issue. A nil forfeiture rate was assumed given the senior nature of contractor's position in the Company. The Black-Scholes option pricing model was used to estimate the value of the options with the following weighted-average assumptions: dividend yield 0.0%, expected volatility 161%; risk-free interest rate 1.89%, and an expected life of five years. During 2013, 87,500 options vested with an estimated value $33,670 included in share based compensation expense with the corresponding credit included in contributed surplus. The remaining 262,500 options vested in 2014 with an estimated value of $31,079.

The expected life of the options granted is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The options outstanding under the Plan at December 31, 2014 are as follows:

Options outstanding			**Options exercisable**
Exercise price	**Number of common shares issuable**	**Remaining contractual life (years)**	**Number of common shares issuable**
$0.21	335,000	1.96	335,000
$0.40	300,000	2.23	300,000
$0.20	1,800,000	3.68	1,800,000
$0.22	250,000	3.93	250,000
$0.20	150,000	4.12	150,000
	2,835,000	3.37	2,835,000

10. RELATED PARTY TRANSACTIONS

During the year, the Company granted 150,000 stock options [2013-1,450,000] to a director of the Company, with a fair value of $26,550 [2013-$272,500]. Details of stock options are disclosed in Note 9 (d).

[Expressed in Canadian Dollars]

During the year, the Company incurred fees of $183,002 [2013-$426,880] for key management personnel.

As of December 31, 2014, the Company owes $Nil [2013-$12,247] to key management personnel. The balances are unsecured, bears no interest and have no set terms of repayment.

11. COMMITMENTS AND CONTINGENCIES

[a] Dispute over Licensing Agreement terms

On December 23, 2013, the Company received an invoice for US$362,999 from Agrisoma who maintained the Company was responsible for payment under a license and sub license agreement between the Company and Agrisoma dated January 1, 2001 and as amended March 26, 2004. The Company's legal counsel's view was that this allegation was baseless and without merit and therefore the Company did not accrue this amount in the year ended December 31, 2013. On June 30, 2014, the Company entered into a settlement and termination agreement with Agrisoma and fully settled all matters relating to the license agreement and the termination of the license agreement with no cash paid nor amounts payable by either party.

12. INCOME TAXES

The Company's effective income tax rate differs from the statutory income tax rate [December 31, 2014- 26% and December 31, 2013- 25.75%]. The differences arising from the following items:

	2014	**2013**
	$	$
Income tax recovery at statutory rates	(137,016)	(911,721)
Permanent differences	15,390	380,498
Change in losses and other unrecognized tax benefits	143,152	536,741
Change in future tax rate	(21,526)	(5,518)
	-	-

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Components of the Company's unrecognized deferred tax assets and liabilities as of December 31 are shown below:

	2014	**2013**
	$	$
Deferred tax assets:		
Non-capital losses carry forwards	712,783	565,622
Share issue costs and others	86,540	112,074
Interest in affiliate	780,484	780,484
Total unrecognized deferred tax assets	1,579,807	1,458,180

As the Company has a history of losses, deferred tax assets have not been recognized.

[Expressed in Canadian Dollars]

The Company has operating non capital loss carry forwards available to offset future taxable income, the amounts and expiry dates noted below:

Expiry:	2014 $
2028	412,000
2029	319,000
2030	253,000
2031	49,000
2032	6,000
2033	1,137,000
2034	566,000
Total	2,742,000

13. MANAGEMENT OF CAPITAL

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its strategic plan. The Company manages and performs regular review of financial information. The Company does not have any externally imposed capital requirement to which it is subject.

14. SUBSEQUENT EVENTS

On April 14, 2015, Agrisoma purchased Calyx's interest in Agrisoma for $300,237. Calyx's investment in Agrisoma had represented approximately 22.8% of the total number of Agrisoma shares outstanding.