

Calyx Bio-Ventures

Consolidated Financial Statements

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

For the three months ended
March 31, 2016

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2016.

Calyx Bio-Ventures Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

		March 31, 2016		December 31, 2015
ASSETS				
Current				
Cash	$	2,704	$	7,583
Receivables (Note 6)		15,361		15,758
Inventory (Note 7)		9,500		9,500
Prepaid expenses and deposits		5,683		3,667
		33,248		36,508
Non-Current Assets				
Equipment (Note 9)		4,531		6,525
Intangible assets (Note 8)		257,828		291,502
Total Assets	$	295,607	$	334,535
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	60,850	$	37,598
Unearned revenue		-		2,500
		60,850		40,098
Non-current liabilities				
Unearned revenue		5,500		5,500
Total Liabilities		66,350		45,598
Shareholders' Equity				
Capital stock (Note 11)		6,832,163		6,832,163
Reserves (Note 11)		2,325,193		2,325,193
Deficit		(8,928,099)		(8,868,419)
		229,257		288,937
Total Liabilities and Shareholders' Equity	$	295,607	$	334,535

Approved and authorized for issue by the Board of Directors

"Roger Forde" Director
Roger Forde

"Gavin McMillan" Director
Gavin McMillan

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

Calyx Bio-Ventures Inc.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
THREE MONTHS ENDED MARCH 31,

	2016	2015
REVENUE	$ 24,940	$ -
COST OF SALES	-	-
GROSS PROFIT	24,940	-
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation (Note 9)	1,994	1,994
Depreciation of intangible assets (Note 8)	33,674	23,674
Personnel costs	45,043	9,331
Professional and regulatory	433	1,497
Marketing	-	1,978
Office and administrative	4,014	5,744
	(85,158)	(44,218)
OTHER INCOME (EXPENSES)		
Foreign exchange gain/(loss)	538	(518)
Loss and comprehensive loss for the period	$ (59,680)	$ (44,736)
Basic and diluted loss per common share	$ (0.001)	$ (0.01)
Weighted average number of common shares outstanding	50,618,673	48,351,892

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

Calyx Bio-Ventures Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
THREE MONTHS ENDED MARCH 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (59,680)	$ (44,736)
Items not affecting cash:		
Depreciation	1,994	1,994
Depreciation of intangible assets	33,674	23,674
Share-based compensation	-	57,629
Changes in working capital items relating to operations:		
Receivables	397	(1,276)
Prepaid expenses and deposits	(2,016)	(1,150)
Accounts payable and accrued liabilities	23,252	9,193
Unearned revenue	(2,500)	-
Net cash flows used in operating activities	(4,879)	(12,301)
Change in cash during the period	(4,879)	(12,301)
Cash, beginning of period	7,583	17,083
Cash, end of period	$ 2,704	$ 4,782

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

Calyx Bio-Ventures Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Number	**Amount**	**Contributed Surplus**	**Warrant Reserve**	**Deficit**	**Total**
Balance as at December 31, 2015	50,618,673	$ 6,832,163	$ 2,325,193	$ -	$ (8,868,419)	$ 288,937
Loss for the period	-	-	-	-	(59,680)	(59,680)
Balance as at March 31, 2016	50,618,673	6,832,163	2,325,193	-	(8,928,099)	229,257
Balance as at December 31, 2014	48,351,892	6,712,163	1,726,159	533,014	(8,716,572)	254,764
Warrants expired	-	-	533,014	(533,014)	-	-
Loss for the period	-	-	-	-	(44,736)	(44,736)
Balance, as March 31, 2015	48,351,892	$6,712,163	$ 2,259,173	$ -	$ (8,761,308)	$ 210,028

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Calyx Bio-Ventures Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on June 10, 2008. The registered address of the Company is located at 2200 – 885 West Georgia Street, Vancouver, BC, V6C 3E8. Through its wholly owned subsidiary, Cannigistics Agri-Solutions Corp. ("Cannigistics"), the Company is in the business of bringing technology solutions to advanced indoor agriculture.

Going concern
These consolidated financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue and has an accumulated deficit of $8,928,099. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material. The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

As at March 31, 2016, the Company had a working capital deficiency of $27,602 (December 31, 2015 deficit - $3,590). There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The condensed consolidated interim financial statements of the Company, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in the Company's annual financial statements for the year ended December 31, 2015. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company as at March 31, 2016 and December 31, 2015. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

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

Critical judgments
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:

Acquisition of Cannigistics
Determining whether or not the acquisition of Cannigistics constituted a business combination or an acquisition of assets. The benefit to the Company of acquiring Cannigistics was the acquisition of its intellectual property. Management concluded that because Cannigistics did not possess the necessary inputs and processes capable of producing outputs it did not meet the definition of a business as defined by IFRS. Accordingly, the transaction was accounted for as an acquisition of assets and the fair value of the consideration paid was allocated to the assets acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical judgments (Continued)

Intangible assets
Evaluating whether or not costs incurred by the Company in the internal development of intangible assets meet the criteria for capitalizing. Management determined that as at December 31, 2015, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all internal development costs incurred to date have been expensed.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the following:

Depreciation of tangible and intangible assets
The Company's assets including equipment and intangible assets are depreciated and amortized, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income (loss) in future periods.

Valuation of share-based compensation and brokers' warrants
The Black-Scholes option pricing model is used for valuation of share based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)
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 recognized in profit or loss.

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%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of three years and are measured at cost less accumulated depreciation and accumulated impairment losses.

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 10.

Revenue recognition
The Company recognizes its revenue as the monthly hosting services are provided over the period set out in the executed services agreements. The fee is fixed or determinable and collectability is probable. Cash received from customers, in advance of the service period, is recorded as deferred revenue.

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 fair value of stock options that vest in the year is recorded as an expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 15 "Revenue from Contracts with Customers"
This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced, which may affect the amount and /or timing of revenue recognized. IFRS15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not yet determined the impact of the new standard on its financial statements.

Other new standards or amendments are either not applicable or 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 receivables 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 March 31, 2016:

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, receivables 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 two commercial banks. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies

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.

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 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 effective on December 9, 2014.

During the year ended December 31, 2014, the Company issued 10,000,000 common shares of the Company with a fair value of $250,000 as consideration for all of the issued and outstanding shares of Cannigistics.

During the year ended December 31, 2015, an additional 3,000,000 common shares with a fair value of $120,000 were issued on the achievement of certain milestones. This was added to the costs of the intangible assets (Note 6). The Company has previously assessed the probability of achieving the milestone as low and, as a result, the estimated value of the additional shares was not incorporated into the original allocation below.

Allocation of consideration – Assets and Liabilities of Cannigistics:

Assets acquired:	
Current receivables	$ 16,961
Computer equipment	20,000
Intangible assets – software (Note 8)	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. RECEIVABLES

	March 31, 2016	December 31, 2015
Trade receivables	$ 5,909	$ 6,196
GST receivable	9,452	9,562
	$ 15,361	$ 15,758

7. INVENTORY

	March 31, 2016	December 31, 2015
Parts	$ 9,500	$ 9,500

8. INTANGIBLE ASSETS

As of December 31, 2015, the Company's intangible assets consist entirely of software. The Company's intangible assets are as follows:

	Software
Balance December 31, 2014	$ 276,200
Addition (Note 5)	120,000
Depreciation	(104,698)
Balance December 31, 2015	291,502
Depreciation	(33,674)
Balance March 31, 2016	$ 257,828

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

9. EQUIPMENT

The Company's equipment was as follows:

	Computer Equipment
Balance December 31, 2014	$ 14,500
Depreciation for the period	(7,975)
Balance December 31, 2015	6,525
Depreciation for the period	(1,994)
Balance March 31, 2016	$ 4,531

10. INTEREST IN ASSOCIATE

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% which, due to the uncertainty of recovery, had a $Nil carrying value.

During the year ended December 31, 2015, Agrisoma and the Company entered into a termination and settlement agreement. Agrisoma purchased the Company's interest in Agrisoma for $300,236 and was recorded as recovery from the sale of interest in associate.

11. EQUITY

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, 2015, the Company completed the following transactions:

-The Company cancelled 733,219 common shares.
-The Company issued 3,000,000 common shares in connection with the acquisition transaction of Cannigistics (Note 5).

11. EQUITY (continued)

Share Capital (continued)

Issued and outstanding shares
During the year ended December 31, 2014, the Company issued 10,000,000 common shares for the acquisition of Cannigistics (Note 5).

Common share purchase warrants

Common share purchase warrant transactions are summarized as follows:

	Number of warrants	Amount
Balance, December 31, 2013	16,351,334	$ 1,318,613
Expired	(7,351,334)	(785,599)
Balance, December 31, 2014	9,000,000	$ 533,014
Expired	(9,000,000)	(533,014)
Balance, December 31, 2015 and March 31, 2016	-	$ -

During the year ended December 31, 2015, 9,000,000 common share purchase warrants expired and $533,014 has been transferred from the warrant reserve to contributed surplus.

The warrant reserve records items recognized as fair value of common share purchase warrants until such time that the warrants were exercised, at which time the corresponding amount will be transferred to share capital. If the common share warrants expired, the amount recorded is transferred to contributed surplus.

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 stock options	Weighted average exercise price
Balance, December 31, 2013	3,476,753	$ 0.23
Forfeited	(791,753)	0.25
Granted	150,000	0.20
Balance, December 31, 2014	2,835,000	$ 0.22
Forfeited	(2,835,000)	0.22
Granted	2,650,000	0.05
Balance, December 31, 2015 and March 31, 2016	2,650,000	$ 0.05

11. EQUITY (continued)

Stock options (continued)

Options granted in 2015:

On June 12, 2015, 2,650,000 options were granted to directors and consultants of the Company. These options vested on issue, have a five year term and are exercisable at $0.05 per share. The calculated value of these options was $66,020 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 option pricing model with the following assumptions: dividend yield 0.0%, expected volatility 118.68%, risk free interest rate 0.94%, and an expected life of five years.

Options granted in 2014:

On February 13, 2014, 150,000 options were granted to directors of the Company. These options vested on issue, had a five year term and were 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 option 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 options outstanding under the plan at March 31, 2016 are as follows:

Options outstanding and exercisable		
Exercice price	**Number of common shares issuable**	**Remaining contractual life (years)**
$0.05	2,650,000	4.30

The weighted average fair value of options granted during the year ended December 31, 2015 is $0.23 (2014-$0.07).

Also included in share-based compensation expense for the year ended December 31, 2014 is $31,079 relating to the vesting of options that were granted in a previous year.

12. RELATED PARTY TRANSACTIONS

During the current fiscal year, the Company did not grant any stock options (2015-1,700,000) to directors of the Company, with a fair value of $Nil (2015-$42,352).

During the year ended December 31, 2015, the Company incurred fees of $Nil (2015-$96,161) for key management personnel.

13. INCOME TAXES

The Company's effective income tax rate differs from the statutory income tax rate (December 31, 2015 and 2014 - 26%). The differences arising from the following items:

	2015	**2014**
Income tax recovery at statutory rates	$ (39,480)	$ (137,016)
Permanent differences	(60,800)	15,390
Change in losses and other unrecognized tax benefits	100,280	143,152
Change in future tax rate	-	(21,526)
	$ -	**$ -**

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.

13. INCOME TAXES (continued)

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

	2015	2014
Deferred tax assets:		
Non-capital losses carry forwards	$ 787,394	$ 712,783
Capital losses carry forwards	762,557	-
Share issue costs and others	7,035	86,540
Interest in associate	-	780,484
Total unrecognized deferred tax assets	$ 1,556,986	$1,579,807

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

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

	2015
Expiry:	
2028	$ 412,000
2029	319,000
2030	253,000
2031	49,000
2032	6,000
2033	1,139,000
2034	563,000
2035	381,000
Total	$ 3,122,000

14. CAPITAL MANAGEMENT

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.

There was no change in the Company's approach to capital management during the period.