

NEW AGE FARM INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 and 2013
AUDITED
(Expressed in Canadian dollars)

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Adam Kim
ADAM SUNG KIM LTD.
CHARTERED ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
New Age Farm Inc. (formerly 0981624 B.C. Ltd.)

I have audited the accompanying consolidated financial statements of New Age Farm Inc. (formerly 0981624 B.C. Ltd.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014, and the consolidated statements of operations and comprehensive operations, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the year ended December 31, 2014, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and its financial performance and its cash flow for the year ended December 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2014.

"Adam Sung Kim Ltd."
Chartered Accountant

Vancouver, British Columbia
April 28, 2015

NEW AGE FARM INC.
(formerly 0981624 B.C. Ltd.)
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	December 31, 2014	December 31, 2013
Current		
Cash	\$ 86,952	\$ 5,889
GST receivable	1,151	-
Prepaid expenses	7,000	-
Due from a related party (Note 6)	688	-
Deposit on real property	11,462	-
Investment (Note 3)	-	-
	107,253	5,889
Property, plant and equipment (Note 4)	1,255,299	1,280,346
Property under development (Note 5)	650,000	650,000
Total assets	\$ 2,012,552	\$ 1,936,235
Current		
Accounts payable	\$ 20,316	\$ 6,355
Accrued liabilities	341,630	20,000
Security deposit received	7,000	-
Current portion of mortgage (Note 7)	17,745	16,997
	386,691	43,352
Security deposit received	-	7,000
Promissory note (Note 13)	-	275,103
Secured notes payable (Note 12)	875,513	-
Long term portion of mortgage (Note 7)	657,594	675,598
Total liabilities	1,919,798	1,001,053
Shareholders' equity		
Shares capital (Note 8)	1,920,150	2,004,783
Shares subscribed	110,000	-
Contributed surplus	433,166	75,424
Deficit, per accompanying statement	(2,370,562)	(1,145,025)
Total shareholders' equity	92,754	935,182
Total liabilities and shareholders' equity	\$ 2,012,552	\$ 1,936,235

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 15)

Approved on behalf of the Board on April 28, 2015:

"Carman Parente"
 Director – Carman Parente

"Anthony Chan"
 Director – Anthony Chan

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

NEW AGE FARM INC.
(formerly 0981624 B.C. Ltd.)
Consolidated Statements of Operations and Comprehensive Operations
(expressed in Canadian dollars)

Years Ended	December 31, 2014	December 31, 2013
Revenue		
Rent	\$ 84,000	\$ 49,000
Interest	7	102
	84,007	49,102
Expenses		
Accretion expenses on secured notes payable	81,179	-
Advertising & promotion	14,000	-
Amortization	25,045	25,699
Bank charges	688	299
Consulting	532,063	2,100
Directors' fees	18,000	-
Insurance	11,866	17,107
Interest	29,333	32,582
Listing expenses – reverse-takeover (Note 14)	263,896	-
Office and miscellaneous	16,500	6,593
Professional fees	84,158	20,600
Property taxes	1,105	1,165
Transfer agent & filing fees	3,139	-
Shares based payments	142,400	-
	1,223,372	106,145
Other expense		
Loss on extinguishment of promissory notes	(86,172)	-
Write off of investment	-	(50,557)
	(86,172)	(50,557)
Loss and comprehensive loss for the year	\$ (1,225,537)	\$ (107,600)
Loss per share	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding	47,423,012	5,492,565

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

NEW AGE FARM INC.
(formerly 0981624 B.C. Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)

	Number of Shares	Share Capital & subscribed	Contributed Surplus	Deficit	Shareholders' Equity
Balance, December 31, 2013	66,826,091	\$ 2,004,783	\$ 75,424	\$ (1,145,025)	\$ 935,182
Shares returned for cancellation	(41,666,667)	(1,250,000)	-	-	(1,250,000)
Shares issued for debts at \$0.03 per share	2,000,000	60,000	-	-	60,000
Shares issued for secured notes at \$0.10 per share	6,000,000	600,000	-	-	600,000
Shares issued for cash at \$0.10 per share	1,254,000	125,400	-	-	125,400
Discount on secured notes	-	-	216,942	-	216,942
Recognition of shares issued to original New Age Farm shareholders on reverse-takeover	2,433,667	243,367	-	-	243,367
Shares based payments	-	-	142,400	-	142,400
Shares issued for debts at \$0.065 per share	2,000,000	130,000	-	-	130,000
Stock options exercised at \$0.05 per share	100,000	5,000	-	-	5,000
Fair value of options exercised	-	1,600	(1,600)	-	-
Shares subscribed, but not issued	-	110,000	-	-	110,000
Loss for the year	-	-	-	(1,225,537)	(1,225,537)
Balance, December 31, 2014	38,947,091	\$ 2,030,150	\$ 433,166	\$ (2,370,562)	\$ 92,754

	Number of Shares	Share Capital	Deficit	Shareholders' Equity (Deficiency)
Balance, December 31, 2012	10	\$ 1	\$ (1,037,425)	\$ (1,037,424)
Shares issued for debt	66,826,081	2,004,782	-	2,004,782
Discount on promissory note	-	-	75,424	75,424
Loss for the year	-	-	(107,600)	(107,600)
Balance, December 31, 2013	66,826,091	\$ 2,004,783	\$ 75,424	\$ (1,145,025)

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

NEW AGE FARM INC.
(formerly 0981624 B.C. Ltd.)
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

Years Ended	December 31, 2014	December 31, 2013
Cash flows from (used in)		
Operating activities		
Net loss for the year	\$ (1,225,537)	\$ (107,600)
Items not affecting cash:		
Accrued interest	-	2,790
Amortization	25,045	25,699
Accretion expenses on secured notes payable	81,179	-
Consulting fees settled into common shares	170,000	-
Listing expenses – reverse-takeover	263,896	-
Loss on extinguishment of promissory notes	86,172	-
Shares based payments	142,400	-
Write off of investment	-	50,557
	<u>(456,845)</u>	<u>(28,554)</u>
Changes in non-cash working capital items:		
Accounts & GST receivable	(1,151)	-
Prepaid expenses	(7,000)	-
Security deposit	-	7,000
Accounts payable and accrued liabilities	355,594	26,255
Net cash used in operating activities	<u>(109,402)</u>	<u>4,701</u>
Investing activities		
Loan receivable	(688)	-
Cash transferred upon reverse-takeover	103,739	-
Deposit on real property	(11,462)	-
Net cash used in investing activities	<u>91,589</u>	<u>-</u>
Financing activities		
Due to related parties	-	(1,898)
Due to shareholders	-	19,595
Loan payable	(124,268)	-
Shares subscribed, but not issued	110,000	-
Mortgage	(17,256)	(16,544)
Proceeds from issuance of common shares	130,400	-
	<u>98,876</u>	<u>1,153</u>
Increase (decrease) in cash during the year	81,063	5,854
Cash, beginning of the year	5,889	35
Cash, end of the year	\$ 86,952	\$ 5,889

Interest paid	\$ 29,333	\$ 29,792
Income tax paid	\$ -	\$ -

Non-cash Transactions:

Fair value of shares issued to New Age Farm shareholders upon reverse-takeover	\$ 243,367	\$ -
Issuance of shares to settle debts & secured notes	\$ 790,000	\$ -
Fair value of stock options exercised	\$ 1,600	\$ -
Shares returned for cancellation in exchange for secured notes	\$ 1,250,000	\$ -
Shares and promissory note issued for debts	\$ -	\$ 2,352,520

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

1. NATURE AND CONTINUANCE OF OPERATIONS

New Age Farm Inc. (formerly 0981624 B.C. Ltd.) (the “Company”) was incorporated on September 27, 2013 and, pursuant to a plan of arrangement (the “Arrangement”) between the Company and Five Nines Ventures Ltd. (“Five Nines”) dated October 7, 2013, it would acquire the letter of intent signed between Five Nines and NHS Industries Ltd. (“NHS LOI”) and \$5,000 in cash from Five Nines as part of the arrangement agreement (the “Arrangement Agreement”), and would commence its business as an agriculture based business in Langley, British Columbia. As consideration for this asset, the Company would issue 16,909,168 common shares, multiplied by the Conversion Factor, as defined in the Arrangement Agreement, which shares would be distributed to the Five Nines shareholders who hold Five Nines shares on the share distribution record date. Five Nines completed the Arrangement on April 1, 2014 and transferred \$5,000 cash and assigned the NHS LOI to the Company on April 1, 2014. The Company initiated the share distribution in June of 2014 and issued 2,433,667 common shares to Five Nines, which were then re-distributed to the shareholders of Five Nines as of record date of December 31, 2013. The Company, after amalgamating with NHS, becomes a start-up stage company and the Langley project is a five and a half acre area devoted to growing and eventually being able to process, package and store finished food based products either in cold storage or dry storage before being shipped to their final destination. NHS has already invested significant amounts to date in product development and feasibility studies. The current business objective of the Company is to build and operate a state of the art warehouse / processing facility to generate near term cash flow. This business plan is clearly a comprehensive review of the critical factors that would add capacity through a modular and fee based approach that is designed to support small and medium producers. Accordingly, the Company’s financial success may be dependent upon the extent to which it can develop its Langley project and the economic viability of acquiring, or developing any such additional projects on the property. The Company is currently listed for trading on Canadian Securities Exchange (“CSE”) under the symbol “NF”.

627073 B.C. Ltd. was incorporated on May 4, 2001 under the British Columbia Business Corporation Act and changed its name to “NHS Industries Ltd.” (the “Company”) on September 17, 2010. The Company’s principal business is the provisions of a property rental service and a development of real estate property and facility.

The registered address, head office, principal address and records office of the Company are located at Suite 106 – 1641 Lonsdale Avenue, North Vancouver, British Columbia, Canada, V7M 2J5.

At December 31, 2014, the Company had working capital deficiency of \$279,438 (2013 - \$37,463), had not yet achieved profitable operations, has accumulated losses of \$2,370,562 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned business and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance, Consolidation and Basis of Presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, NHS Industries Ltd. All inter-company transactions and balances have been eliminated in the consolidated financial statement 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 the accounting policies set out in the below.

(b) Revenue recognition

Rental revenue includes rent from tenants and incidental income. Rental revenue is recognized when rents are due and interest income is recognized when earned.

(c) Foreign currency translation

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to the instrument’s contractual provisions. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss, which it recognizes immediately in profit or loss).

The Company’s financial instruments and their classifications, described further below, are as follows:

<u>Financial assets:</u>	<u>Classification:</u>
Cash	Fair value through profit or loss
Due from a related party	Loans and receivables
<u>Financial liabilities:</u>	<u>Classification:</u>
Accounts payable, accrued liabilities, due to related parties, secured notes payable, promissory note and mortgage	Other financial liabilities

New Age Farm Inc.
(formerly 0981624 B.C. Ltd.)
Notes to the Consolidated Financial Statements
Years Ended December 31, 2014
(expressed in Canadian dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

Financial assets

The Company recognizes and derecognizes all financial assets on the trade date. It derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of its ownership to another entity. It classifies financial assets into the following specified categories: financial assets 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. It determines the classification at the time of initial recognition, depending on the nature and purpose of the financial assets. The Company does not currently have any financial assets in the held-to-maturity or available-for-sale categories.

The Company's accounting policy for the category of assets and liabilities presently recognized by the Company is as follows:

Fair value through profit or loss

This category comprises assets acquired or incurred for the purpose of selling or repurchasing it in the near future. The Company measures financial assets at FVTPL at fair value, recognizing any gains or losses arising from this measurement in the Statement of Loss and Comprehensive Loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company measures loans and receivables at amortized cost using the effective interest method, less any impairment, except for short-term receivables for which recognizing interest would be immaterial. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the instrument's expected life (or, where appropriate, a shorter period) to the net carrying amount on initial recognition.

Financial liabilities

The Company classifies financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The Company does not currently have any financial liabilities in the at FVTPL category.

Other financial liabilities

The Company initially measures other financial liabilities, consisting of accounts payable and amounts due to related parties, at their fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets

The Company assesses financial assets, other than those at FVTPL, for indications of impairment at the end of each reporting period. For financial assets carried at amortized cost, the amount of any impairment loss is 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.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

New Age Farm Inc.
(formerly 0981624 B.C. Ltd.)
Notes to the Consolidated Financial Statements
Years Ended December 31, 2014
(expressed in Canadian dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(e) **Share based Compensation**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. 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. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(f) **Property, plant and equipment**

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Building	-	15 years	straight line
Greenhouse	-	35 years	straight line
Furniture, fixtures and equipment	-	10-20%	declining balance
Motor vehicle	-	30%	declining balance

An item of property, plant and equipment is de-recognized 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.

Where an item of property, plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

New Age Farm Inc.
(formerly 0981624 B.C. Ltd.)
Notes to the Consolidated Financial Statements
Years Ended December 31, 2014
(expressed in Canadian dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(h) **Loss per share**

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

(i) **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(j) **Impairment of long-lived assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(k) **Significant accounting judgments and estimates**

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the amortization of plant, property and equipment, valuation of share-based payments and recognition of deferred income tax amounts.

Critical judgments and estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require 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 earnings and equity reserves.

(l) **Future accounting changes**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2018. The Company is currently evaluating the potential impact of the adoption of IFRS 9.

New Age Farm Inc.
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Notes to the Consolidated Financial Statements
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(expressed in Canadian dollars)

3. INVESTMENT

The investment in a private company is classified as Available for Sale and measured at cost as this investment does not have a quoted market price in an active market. During the year ended December 31, 2013, the Company wrote off its investment of \$50,556.

4. PROPERTY, PLANT AND EQUIPMENT

	2014			2013
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	\$ 900,000	\$ -	\$ 900,000	\$ 900,000
Building	213,800	106,900	106,900	121,154
Greenhouse	298,626	60,923	237,703	246,236
Furniture, fixture and equipment	21,423	13,104	8,319	9,559
Motor Vehicle	23,776	21,399	2,377	3,397
	<u>\$ 1,457,625</u>	<u>\$ 202,326</u>	<u>\$ 1,255,299</u>	<u>\$ 1,280,346</u>

5. PROPERTY UNDER DEVELOPMENT

At December 31, 2014, the Company is in the process of building a facility, which will contain an operating kitchen, a warehouse space and a cold storage facility. As at December 31, 2014, the Company has incurred expenditures of \$650,000 (December 31, 2013: \$650,000) on this development.

6. DUE TO/FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

The amounts of \$688 (2013 - \$NIL) due from a related party, a company owned by a director of the Company, are non-interest bearing, unsecured and without fixed terms of repayment.

On December 1, 2013, the amounts of \$1,562,083 due to shareholders and related parties of the Company were settled for 66,826,081 common shares of the Company and a promissory note of \$347,737. (Note 8 and 13)

During the year ended December 31, 2014, \$373,500 (2013: \$Nil) of consulting fees have been accrued for or paid to the Chief Executive Officer (\$245,000), Chief Financial Officer (\$122,500) and a director (\$6,000) of the Company in relation to their services provided to the Company. Directors' fees of \$2,000 per month to each director were also accrued for from October to December 2014 for a total of \$18,000. As of December 31, 2014, a total of \$326,500 was included as accrued liabilities to these parties.

During the year ended December 31, 2014, 2,700,000 fully vested stock options at an exercise price of \$0.05 per share were granted to officers and directors expiring September 8, 2019. On November 17, 2014, 1,400,000 of these vested options were agreed to be cancelled. Subsequent to the year ended December 31, 2014, 200,000 of these remaining options were exercised (Note 15).

During the year ended December 31, 2014, 1,000,000 common shares of the Company were issued to the Chief Financial Officer of the Company at a fair value of \$0.065 per share to settle \$65,000 of accrued fees (Note 8).

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7. MORTGAGE

The Company has negotiated a credit facility with the BlueShore Financial (the “BSF”) for a commercial mortgage. The commercial mortgage bears interest at 4.25% per annum until October 1, 2017. The mortgage requires monthly blended payments of \$3,842. Payments will be adjusted at a time of term renewal based on the fixed rate of interest in effect and the remaining amortization period. The mortgage is secured by a rental property of the Company and an assignment of rents.

	2014	2013
Balance, beginning of the year	\$ 692,595	\$ 709,139
Principal payments made during the year	(17,256)	(16,544)
Balance, end of the year	675,339	692,595
Amount payable within one year	(17,745)	(16,997)
	\$ 657,594	\$ 675,598

Principal repayment terms are approximately as follows:

2015	\$ 18,514
2016	19,316
2017	20,154
2018	21,027
Thereafter	596,328
	\$ 675,339

8. SHARE CAPITAL

- (a) Authorized: Unlimited common shares without par value
 Issued : 38,947,091 common shares (2013: 66,826,091 common shares)

On December 1, 2013, the amounts of \$2,004,782 due to shareholders and related parties of the Company were settled for 66,826,081 common shares of the Company at a price of \$0.03 per share .

On March 31, 2014, 41,666,667 common shares of the Company were returned to treasury for cancellation by shareholders at average price of \$0.03 per share for total of \$1,250,000. In consideration, the Company issued non-interest bearing secured loans to two shareholders, to be due in two years (Note 12).

In March and April 2014, the Company issued 2,000,000 common shares of the Company at \$0.03 per share to settle a total debt of \$30,000 owing to several external service providers.

On June 30, 2014, the Company settled \$600,000 of a secured non-interest bearing loan originally in the amount of \$1,097,737 owing to company controlled by an officer of the Company at \$0.10 per common shares of the Company and issued a total of 6,000,000 common shares (Note 12).

In July 2014, prior to the amalgamation, the Company completed a non-brokered financing of \$125,400 at a price of \$0.10 per share and issued 1,254,000 common shares.

On August 13, 2014, the Company completed the amalgamation between 0998955 BC. Ltd., a wholly owned subsidiary of the Company, and NHS; as a result of the reverse-takeover transaction, 2,433,667 common shares originally issued to the shareholders of New Age Farm Inc. prior to the reverse-takeover transaction were fair valued with a total of \$243,367.

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8. SHARE CAPITAL (continued)

In October 2014, 100,000 stock options were exercised at \$0.05 per share for a total proceed of \$5,000. Fair value of these options of \$1,600 was also re-allocated from contributed surplus to share capital.

In November, 2014, 2,000,000 common shares at a fair value of \$0.065 per share were issued to an external service provider and the Chief Financial Officer of the Company to settle total debts of \$130,000 (See Note 6).

(b) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company and that the number of common shares reserved for issuance pursuant to options granted to all consultants or persons conducting investing relations activities will not exceed 2% of the issued and outstanding common shares within any 12-month period. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

There were 3,650,000 stock options granted during the year ended December 31, 2014 at an exercise price of \$0.05 per share expiring September 8, 2019. All options were fully vested at the date of grant. 1,400,000 of these options were cancelled in November 2014 and 100,000 of these options were exercised in October 2014 with fair value of \$1,600 being re-allocated from contributed surplus to share capital.

The fair value of these 3,650,000 stock options was determined to be \$58,400 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 1.47%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

There were 1,400,000 stock options granted to external consultants during the year ended December 31, 2014 at an exercise price of \$0.08 per share expiring November 17, 2019. All options were fully vested at the date of grant.

The fair value of these 1,400,000 stock options was determined to be \$84,000 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 1.37%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

- (i) As at December 31, 2014, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
2,150,000	\$0.05	September 8, 2019
1,400,000	\$0.08	November 17, 2019
3,550,000		

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8. **SHARE CAPITAL (continued)**

(b) Stock Options (Continued)

(ii) A summary of the status of the Company's stock options as at December 31, 2014 and December 31, 2013, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2012	-	\$ -
Granted	-	
Balance, December 31, 2013	-	-
Granted	5,050,000	0.06
Exercised	(100,000)	0.05
Cancelled	(1,400,000)	0.05
Balance, December 31, 2014	3,550,000	\$0.06

9. **CAPITAL DISCLOSURES**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, mortgage, due to related parties, due to shareholders, secured notes payable, promissory note and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

The property under development in which the Company currently has an interest is in the development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the years ended December 31, 2014 and 2013. The Company is not subject to externally imposed capital requirements.

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10. FINANCIAL INSTRUMENTS AND RISK FACTORS:

(a) Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

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

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The company's cash and cash equivalents and bank indebtedness have been valued using Level 1 inputs.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2014 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$ 86,952	\$ -	\$ -	\$ 86,952
Investments	-	-	-	-
	\$ 86,952	\$ -	\$ -	\$ 86,952

(b) Credit risk

Credit risk is the loss associated with a counter-party's inability to fulfil its payment obligations. The Company's credit risk is attributable to GST receivable from Canadian Federal government and term deposits. The credit risk is minimized by placing cash with major Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments above is remote.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash and cash equivalents are held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments.

As at December 31, 2014, the Company had cash and cash equivalents of \$86,952 to settle current liabilities of \$386,691. The mortgage of \$675,339 has a term which will be renewed on October 1, 2017 and the secured notes payable of \$497,737 and \$500,000 each has a maturity date of June 30, 2016 and March 31, 2016 respectively.

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10. **FINANCIAL INSTRUMENTS AND RISK FACTORS:** (continued)

(d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments. The Company is susceptible to interest rate fair value risk on its mortgage payable that bears a fixed interest rate.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major expenditures are transacted in Canadian dollars.

11. **INCOME TAXES**

The income taxes shown in the Consolidated Statements of Operations differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2014	2013
	26.0%	13.5%
Loss for the year	(1,225,537)	(107,600)
Expected income tax recovery	(318,640)	(14,526)
Items deductible and not deductible for income tax purposes	142,722	12,531
Change in tax rate	(152,052)	-
Current and prior tax attributes not recognized	327,970	1,995
	-	-

Details of deferred tax assets are as follows:

	2014	2013
Non-capital loss carryforwards	\$ 468,493	\$ 148,094
Investments	6,572	3,413
Equipment and others	2,141	(2,270)
Unrecognized deferred tax assets	(477,206)	(149,237)
	\$ -	\$ -

As at December 31, 2014, the Company had approximately \$1,800,000 of non-capital losses available, which begin to expire in 2027 through to 2034 and may be applied against future taxable income.

At December 31, 2014, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years

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12. SECURED NOTES PAYABLE

On March 31, 2014, the note payable in the amount of \$347,737 (Note 13) due to a company owned by an officer of the Company was extinguished by the Company. In consideration for the extinguishment, the Company issued a non-interest bearing secured loan to replace the note payable. Together with the 25,000,000 common shares returned to treasury for cancellation at an agreed value of \$750,000, the Company entered into a secured loan agreement with this company. This is a non-interest bearing loan in the amount of \$1,097,737 to be due in two years on March 31, 2016 and secured by the Company's current and future assets secondary to the mortgage currently held by BlueShore Financial.

On June 30, 2014, the Company settled \$600,000 of a secured non-interest bearing loan originally in the amount of \$1,097,737 owing to company controlled by an officer of the Company at \$0.10 per common shares of the Company and issued a total of 6,000,000 common shares. The Company also amended this secured non-interest bearing loan in the amount of \$497,737 ("Loan 1") to be due in two years on June 30, 2016 and continue to be secured by the Company's current and future assets secondary to the mortgage currently held by BlueShore Financial.

On March 31, 2014, another shareholder also returned 16,666,667 common shares of the Company to the treasury for cancellation at an agreed value of \$500,000. The Company also entered into a non-interest bearing loan agreement with this shareholder in the amount of \$500,000 ("Loan 2") to be due in two years on March 31, 2016 and secured by the Company's current and future assets with it rights subsequent to the registered holder described above.

The total secured loans of \$997,737 were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 10% per annum.

The debt discount of \$216,942 was credited to contributed surplus, debited to secured notes and being amortized over the term of the note.

The total discount of \$72,723 was charged to interest expense for the year ended December 31, 2014.

	Loan 1	Loan 2	Total
Principal	\$ 497,737	\$ 500,000	\$ 997,737
Unamortized discount	(66,167)	(56,057)	(122,224)
December 31, 2014	\$ 431,570	\$ 443,943	\$ 875,513

13. PROMISSORY NOTE

On December 1, 2013, the amounts of \$347,737 due to a company owned by an officer of the Company were settled for a promissory note of \$347,737. The promissory note was not interest-bearing and unsecured with a maturity date of December 1, 2015. On March 31, 2014, the note payable in the amount of \$347,737 (Note 12) due to a company owned by an officer of the Company was extinguished by the Company.

The note payable was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 13% per annum.

The debt discount of \$75,424 was credited to contributed surplus, debited to note payable and being amortized over the term of the note.

The total discount of \$8,456 (2013: \$2,790) was charged to interest expense for the year ended December 31, 2014.

14. REVERSE ASSETS ACQUISITION

Pursuant to and on the terms and subject to the condition set out in an amalgamation agreement among New Age Farm Inc. (“New Age”), NHS Industries Ltd. (“NHS”) and 0998955 B.C. Ltd. (“0998955BC”) dated April 30, 2014, New Age amalgamated with 0998955BC to form a new company (“New Co”) and continue under the name NHS Industries Ltd. as a wholly owned subsidiary of New Age. On completion of the transaction, the former shareholders of NHS have 93.4% ownership interest of the Company and control the combined entity.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* (“IFRS 3”) since New Age was a shell company whose activities, prior to the acquisition, were limited to the management of cash resources and maintenance of its reporting issuer status and did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* (“IFRS 2”) whereby NHS is deemed to have issued shares in exchange for the net assets of New Age together with its reporting issuer status at the fair value of the consideration received by NHS. The accounting for this transaction resulted in the following:

(i) The financial statements of the consolidated entities are considered a continuation of the financial statements of NHS.

(ii) Since NHS is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical carrying values.

(iii) As part of the completion of the reverse acquisition with New Age to facilitate the reporting issuer status of NHS, the original shareholders of New Age retained 2,433,667 common shares of the Company.

Since the share and share-based consideration allocated to the former shareholders of New Age on closing the reverse acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets of New Age acquired on closing was expensed in the statement of comprehensive loss as listing expense.

The share-based compensation of \$263,896 recorded as listing expense included the fair value of the 2,433,667 common shares retained by the former shareholders of New Age at \$0.10 per share and the net liabilities assumed. The \$0.10 value for the shares was based on the most recent effective financings completed by NHS prior to the reverse acquisition.

The fair value of the consideration given and resulting charge to listing expense comprised:

Fair value of share-based consideration allocated:	\$
Issuance of 2,433,667 common shares	243,367
	<u>243,367</u>
Identifiable assets acquired and liabilities assumed:	
Cash	103,739
Liabilities	124,268
Net liabilities assumed	<u>(20,529)</u>
Listing expense	<u><u>263,896</u></u>

15. SUBSEQUENT EVENTS

On February 26, 2015, the Company entered into a second mortgage on its property in Langley as security. The principal amount of the mortgage is \$400,000 with a term of one year at 15% annual interest. As part of the mortgage agreement, the Company has assigned the rental income from the Langley property and issued to the lender 1,000,000 common shares of the Company at a price of \$0.15 per share. The Company's CEO also agreed to provide a personal guarantee to the mortgage and the second mortgage previously held by him has been moved to third position behind the new second mortgage. If the Company decides to repay the mortgage before it matures, it will incur a three months interest penalty.

In February 2015, 200,000 stock options were exercised by the Chief Financial Officer and a Director of the Company and 800,000 stock options were exercised by a consultant and a total of 1,000,000 common shares of the Company were issued at \$0.05 per share. In the same month, 178,000 stock options were also exercised by an external consultant at \$0.08 per share for proceeds of \$14,240.

On March 11, 2015, the Company closed a non-brokered private placement of \$460,000 and issued 4,600,000 common shares at a price of \$0.10 per share.

The Company entered into an escrow on October 22, 2014 for the purchase of a 2.69 acre parcel of land in Whatcom County, Washington State ("Sumas Property") for a total purchase price of US\$289,000. The property is permitted for both agricultural and light industrial processing uses. The Company made a non-refundable US\$10,000.00 payment into escrow on signing the agreement and successfully closed the purchase on March 3, 2015.

The Company entered into a finder's fee agreement on December 1, 2014 with an external consultant to assist the Company in identifying a tenant for its Sumas Property to be acquired. The Company will pay to the consultant a total fee of 3,000,000 common shares of the Company upon successful signing of a lease with the identified tenant and the Company's successful completion of the acquisition of the Sumas Property. The Company entered into a lease agreement with its first tenant in November 2014 and closed the acquisition of the Sumas Property in March 2015 and the Company issued the agreed 3,000,000 common shares to this consultant as finder's fees at a price of \$0.15 per share on March 18, 2015.

The Company also entered into another finder's fee agreement on December 1, 2014 with another external consultant in assisting the Company to identify a tenant for its Sumas Property. The agreement asks for same fees and has the same terms as the first finder's fee agreement. The Company also issued 3,000,000 common shares to this second consultant as finder's fees at a price of \$0.15 per share on March 18, 2015.

On March 23, 2015, the Company granted incentive stock options to a consultant of the Company to purchase up to an aggregate of 2,000,000 common shares in the capital stock of the Company. The options are exercisable at a price of \$0.15 per share, and will expire on March 23, 2020. All options were fully vested at the date of grant.

On March 24, 2015, 200,000 options granted to a consultant were exercised and 200,000 common shares of the Company were issued at \$0.08 per share.

On April 1, 2015, the Company entered into a consulting agreement with a consultant such that consulting fees to be accrued at \$15,000 per month beginning effective from October 1, 2014, being the date the consultant first provided services to the Company, to March 31, 2016 with a maximum permitted accrual of \$300,000 over the term of this agreement. The agreement also granted the consultant 2,000,000 warrants to purchase common shares of the Company, exercisable at a price of CAD\$0.15 per warrant share and will expire three years from the date of this agreement. The accrued fees shall be paid to the consultant upon i) submission of an invoice inclusive of GST for the value of fees to be paid, such invoice not to exceed the amount of accrued fees as at the date of the invoice; and ii) exercise a number of warrants equal to the fees to be paid (exclusive of GST) pursuant to the invoice; and iii) the

15. SUBSEQUENT EVENTS (continued)

Company will issue a share certificate in the name of the consultant for the number of common shares represented by the warrant exercise and then pay the invoice. Upon termination of the agreement, any outstanding accrued fees up to and including such termination date will remain payable as set out herein provided the warrants have not expired. Upon the expiry of the warrants, any unexercised warrants will be cancelled and any accrued fees that remain outstanding will be waived by the consultant and the Company will no longer be liable for any payments to the consultant.

The Company recruited its first tenant on the Sumas Property in November 2014. The lease agreement signed with the tenant has become effective subsequent to the successful acquisition of the Sumas Property but still subject to the completion of the construction of the growing facility on the property. The Company has recruited a second tenant on the property and is in process of entering into a lease agreement with the second tenant.

16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, an agriculture based business in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.