NEW AGE FARM INC.
(FORMERLY 0981624 B.C. LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

(Expressed in Canadian dollars)

Index

UNIT 114B (2nd floor)
8988 FRASERTON COURT
BURNABY, BC, V5J 5H8

T: **604.318.5465**
F: **604.239.0866**

Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL 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, 2015 and 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 years ended December 31, 2015 and 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 audits. I conducted my audits 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 audits 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, 2015 and December 31, 2014, and its financial performance and its cash flow for the years ended December 31, 2015 and 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.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Burnaby, British Columbia
April 28, 2016

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

	December 31, 2015	December 31, 2014
Current		
Cash	$ 100,047	$ 86,952
GST receivable	-	1,151
Prepaid expenses	-	7,000
Due from related parties (Note 6)	25,688	688
Deposit on real property	-	11,462
Investment (Note 3)	-	-
	125,735	107,253
Prepayments on facilities (Note 14)	1,089,127	-
Property, plant and equipment (Note 4)	1,893,225	1,255,299
Property under development (Note 5)	-	650,000
Total assets	$ 3,108,087	$ 2,012,552
Current		
Accounts payable	$ 105,224	$ 20,316
Accrued liabilities (Note 6)	719,677	341,630
Security deposit received	7,000	7,000
Loans payable (Note 12)	201,875	-
Secured notes payable (Note 11)	318,274	-
Secured convertible debt (Note 11)	473,560	-
Current portion of seller note payable (Note 12)	7,508	-
Current portion of mortgage (Note 7)	18,525	17,745
Second mortgage (Note 7)	400,000	-
	2,251,643	386,691
Secured notes payable (Note 11)	-	875,513
Long term loan payable (Note 12)	270,313	-
Long term portion of seller note payable (Note 12)	99,250	-
Long term portion of mortgage (Note 7)	638,820	657,594
Total liabilities	3,260,026	1,919,798
Shareholders' equity		
Equity portion of convertible debt (Note 11)	58,258	-
Shares capital (Note 8)	5,342,350	1,920,150
Shares subscribed	-	110,000
Contributed surplus	1,458,208	433,166
Deficit, per accompanying statement	(7,010,755)	(2,370,562)
Total shareholders' equity	(151,939)	92,754
Total liabilities and shareholders' equity	$ 3,108,087	$ 2,012,552

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 16)

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)

		December 31, 2015		December 31, 2014
Revenue				
Rent	$	84,000	$	84,000
Interest		75		7
Total revenue		84,075		84,007
Expenses				
Accretion expenses on secured notes payable (Note 11)		88,663		81,179
Advertising & promotion		41,095		14,000
Amortization		24,559		25,045
Business development		1,054		-
Bank charges		1,934		688
Consulting (Note 6)		1,966,479		532,063
Directors' fees (Note 6)		72,000		18,000
Finance expense (Note 7 & Note 8)		150,000		-
Foreign exchange (gain)/loss		11,752		-
Insurance		21,762		11,866
Interest		107,132		29,333
Listing expenses – RTO (Note 13)		-		263,896
Office and miscellaneous		15,011		16,500
Professional fees		179,661		84,158
Utility & property taxes		7,791		1,105
Telephone		1,732		-
Transfer agent, listing & filing fees		77,408		3,139
Travel		25,016		-
Shares based payments (Note 8)		1,283,500		142,400
		4,076,549		1,223,372
Other income (expense)				
Write off of investment (Note 3)		(60)		-
Write off of development costs (Note 5)		(650,000)		-
Gain (loss) on extinguishment of notes payable (Note 11)		2,341		(86,172)
Total expenses		4,724,268		1,309,544
Loss and comprehensive loss for the year	$	(4,640,193)	$	(1,225,537)
Loss per share	$	(0.09)	$	(0.03)
Weighted average number of shares outstanding		54,606,764		47,423,012

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	Equity Portion Convertible Debt	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
Discount on secured notes	-	-	216,942	-	-	216,942
Shares based payments	-	-	87,600	-	-	87,600
Shares issued for cash at $0.10 per share	1,254,000	125,400	-	-	-	125,400
Recognition of shares issued to original New Age Farm shareholders on reverse-takeover	2,433,667	243,367	-	-	-	243,367
Shares based payments	-	-	54,800	-	-	54,800
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**
Shares issued for cash at $0.10 per share	4,600,000	460,000	-	-	-	460,000
Shares subscribed and issued	-	(110,000)	-	-	-	(110,000)
Stock options exercised at $0.08 per share	900,000	72,000	-	-	-	72,000
Fair value of options exercised	-	54,000	(54,000)	-	-	-
Stock options exercised at $0.05 per share	1,000,001	50,000	-	-	-	50,000
Fair value of options exercised	-	16,000	(16,000)	-	-	-
Shares issued as finance expense	1,000,000	150,000	-	-	-	150,000
Shares issued for cash at $0.15 per share	1,666,667	250,000	-	-	-	250,000
Shares issued for services	5,500,000	1,100,000	-	-	-	1,100,000
Shares based payments	-	-	1,283,500	-	-	1,283,500
Warrants exercised at $0.15 per share	1,400,000	210,000	-	-	-	210,000
Fair value of warrants transferred	-	130,200	(130,200)	-	-	-
Repurchase of secured debts and issuance of convertible debts	-	-	(58,258)	58,258	-	-
Shares issued to purchase equipment	200,000	30,000	-	-	-	30,000
Shares issued as finders fees	6,000,000	900,000	-	-	-	900,000
Loss for the year	-	-	-	-	(4,640,193)	(4,640,193)
Balance, December 31, 2015	**61,213,759**	**$ 5,342,350**	**$ 1,458,208**	**$ 58,258**	**$ (7,010,755)**	**$ (151,939)**

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)

		December 31, 2015		December 31, 2014
Cash flows from (used in)				
Operating activities				
Net loss for the year	$	**(4,640,193)**	$	(1,225,537)
Items not affecting cash:				
Accretion of interest		**88,663**		81,179
Amortization		**24,559**		25,045
Accrued interest		**22,188**		-
Consulting fees settled into shares		**-**		170,000
Listing expenses - RTO		**-**		263,896
Loss (gain) on extinguishment of notes payable		**(2,341)**		86,172
Finance expense		**150,000**		-
Shares issued for services		**1,100,000**		-
Write off of development costs		**650,000**		-
Write off of investment		**60**		-
Shares based payments		**1,283,500**		142,400
		(1,323,564)		(456,845)
Changes in non-cash working capital items:				
GST receivable		**1,151**		(1,151)
Prepaid expenses		**7,000**		(7,000)
Accounts payable and accrued liabilities		**462,954**		355,594
Net cash used in operating activities		**(852,459)**		(109,402)
Investing activities				
Cash transferred upon reverse-takeover		**-**		103,739
Deposit on real property		**11,462**		(11,462)
Investment in subsidiary		**(60)**		-
Loan receivable		**(25,000)**		(688)
Prepayments		**(189,127)**		-
Purchase of real property, net of deposit		**(632,485)**		-
Net cash used in investing activities		**(835,210)**		91,589
Financing activities				
Loans payable		**450,000**		(124,268)
Seller note payable		**106,758**		-
Secured notes payable		**(170,000)**		-
Shares subscribed		-		110,000
Proceeds from issuance of common shares		**932,000**		130,400
Mortgages		**382,006**		(17,256)
Net cash received from financing activities		**1,700,764**		98,876
Increase in cash and cash equivalents during the year		**13,095**		81,063
Cash and cash equivalents, beginning of the year		**86,952**		5,889
Cash and cash equivalents, end of the year	**$**	**100,047**	$	86,952
Interest paid	**$**	**84,944**	$	29,333
Income tax paid	**$**	**-**	$	-
<u>Non-cash Transactions:</u>				
Issuance of shares to settle debts & secured debts	**$**	**-**	$	790,000
Issuance of secured convertible debt	**$**	**497,737**	$	-
Fair value of stock options exercised	**$**	**70,000**	$	1,600
Fair value of warrants exercised	**$**	**130,200**	$	-
Common shares returned to treasury for cancellation	**$**	**-**	$	1,250,000
Recognition of shares issued to New Age shareholders upon RTO	**$**	**-**	$	243,367
Issuance of shares to secure second mortgage (finance expense)	**$**	**150,000**	$	-
Issuance of shares to purchase equipment	**$**	**30,000**	$	-
Issuance of shares as prepayments	**$**	**900,000**	$	-
Issuance of shares for services	**$**	**1,100,000**	$	-

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 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, 2015, the Company had working capital deficiency of $2,125,908 (2014 - $279,438), had not yet achieved profitable operations, has accumulated losses of $7,010,755 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 and New Age Farm Washington, LLC. 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:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Due from related parties	Loans and receivables

Financial liabilities:	Classification:
Accounts payable, accrued liabilities, due to related parties, secured notes payable, promissory note, secured convertible debt, seller note payable, loan payable and mortgages	Other financial liabilities

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

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.

<u>Financial instruments recorded at fair value</u>

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 and tractor	-	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.

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 nor 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:

<u>Determination of functional currency</u>

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.

<u>Income taxes</u>

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.

<u>Valuation of share-based payments</u>

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.

(expressed in Canadian dollars)

3. INVESTMENT

During the year 2015, the Company invested in a 60% controlled subsidiary as investment purpose for $60. This subsidiary was dormant and the management determined that the investment was impaired and wrote off the investment to $Nil and charged it to the operations during 2015.

4. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2015			December 31, 2014
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	$ 900,000	$ -	$ 900,000	$ 900,000
Building	213,800	121,154	92,646	106,900
Sumas Property	360,466	-	360,466	-
Sumas Property - Facility	117,711	-	117,711	-
Oroville Property	154,308	-	154,308	-
Greenhouse	298,626	69,455	229,171	237,703
Furniture, fixture and equipment	21,423	14,164	7,259	8,319
Motor Vehicle & tractor	53,776	22,112	31,664	2,377
	$ 2,120,110	$ 226,885	$ 1,893,225	$ 1,255,299

The Company entered into an escrow on October 22, 2014 for the purchase of a land in Whatcom County, Washington State ("Sumas Property") for a total purchase price of US$289,000. 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 property is not yet ready for renting and is still in process of building a facility of which $117,711 was incurred as at December 31, 2015. The Company entered into a lease agreement with its first tenant on the property of which rental income will only be charged to the tenant after a facility is completely built to the tenant's specification and needs. The Company issued 3,000,000 common shares of the Company at a fair value of $0.15 per share for total value of $450,000 as prepayment with respect to this first tenant acquired (Note 8).

On October 30, 2015, the Company also acquired another property in Okanogan County, Washington State ("Oroville Property") for a total purchase price of US$118,000. The company paid US$40,000 towards the purchase price and the seller financed the balance with the Company issuing a note payable to the seller in the amount of US$78,000, at the rate of 8% per annum on the declining balance thereof for a period of 10 years to be due on October 30, 2025. Monthly payment of US$950 is required to be paid of which payments are applied first to interest and the principal until the maturity date when the balance of principal will be matured (Note 12).

The Company purchased a tractor motor vehicle by issuing 200,000 common shares at a fair value of $0.15 per share for total value of $30,000 during the year ended December 31, 2015 (Note 8).

5. PROPERTY UNDER DEVELOPMENT

Due to the uncertainty as to when the Company is able to raise sufficient funds to complete building a facility on its Langley farm, the Company determined that the incurred development cost is impaired and has written off the development cost to $Nil as at December 31, 2015.

(expressed in Canadian dollars)

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

The amounts of $688 (2014 - $688) 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.

During the year ended December 31, 2015, the Company advanced $25,000 (2014: $Nil) as a loan to a company of which the Chief Executive Officer is one of shareholders of this company. This loan is non-interest bearing and has no fixed terms of repayment.

During the year ended December 31, 2015, $442,000 (2014: $373,500) of consulting fees have been incurred and accrued for to the current and former officers and directors of the Company in relation to their services provided to the Company. As of December 31, 2015, total consulting fees of $732,000 (2014: $308,500) have been accrued for. A total of $72,000 directors' fees at $2,000 per month to each director were also incurred and accrued for the year 2015 and as of December 31, 2015, a total of $90,000 (2014 - $18,000) directors fees have been accrued for. And the amount of $131,070 is owed to the Company by a company owned by the CEO of the Company, which will be applied against the accrued consulting fees owed by the Company to the CEO. As of December 31, 2015, a net total of $690,930 after deducting the amount of $131,070 owed by a company owned by the CEO of the Company was included as accrued liabilities to these parties (Note 7).

During the year ended December 31, 2015, 4,500,000 warrants were issues to officers and directors of the Company and charged to shares based payments at total fair value of $580,500 (Note 8).

7. MORTGAGE / SECOND 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.

		December 31, 2015		December 31, 2014
Balance, beginning of the year	$	675,339	$	692,595
Principal payments made during the year		(17,994)		(17,256)
Balance, end of the period		657,345		675,339
Amount payable within one year		(18,525)		(17,745)
	$	638,820	$	657,594

Principal repayment terms are approximately as follows:

Current	$	18,525
Thereafter		638,820
	$	657,345

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 art 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 fair value 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. The Company also accrued $150,000 fees to the CEO for providing a personal guarantee on the second mortgage. This second mortgage was fully repaid subsequent to the year-end December 31, 2015 (Note 16). During year 2015, total interest of $45,000 was paid and $5,000 interest was accrued for as of December 31, 2015.

8. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Issued : 61,213,759 common shares (2014: 38,947,091 common shares)

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 11).

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 11).

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.

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.

In February 2015, 178,000 and 1,000,001 stock options were exercised at $0.08 per share and $0.05 per share for total proceeds of $14,240 and $50,000 respectively. Fair value of these options of $10,680 and $16,000 were also re-allocated respectively from contributed surplus to share capital (Note 6).

In March 2015, 200,000 stock options were exercised at $0.08 per share for a total proceed of $16,000. Fair value of these options of $12,000 was also re-allocated from contributed surplus to share capital.

In March 2015, the Company completed a non-brokered financing of $460,000 at a price of $0.10 per share and issued 4,600,000 common shares.

In March 2015, the Company issued 1,000,000 common shares at a fair value of $0.15 per share to the lender of the second mortgage as finance expense in order to secure this financing (Note 7).

In April 2015, the Company issued 200,000 common shares at a fair value of $0.15 per share for total value of $30,000 to purchase a tractor motor vehicle (Note 4).

In April 2015, the Company issued 6,000,000 common shares at a fair value of $0.15 per share for total value of $900,000 as prepayments to acquire two tenants (Note 4 and Note 14).

In April 2015, the Company issued 5,500,000 common shares at a fair value of $0.20 per share for total value of $1,100,000 for consulting services provided by external consultants.

During the year 2015, the Company issued 1,400,000 common shares as result of warrants exercised by an external consultant at fair value of $0.243 per share.

8. **SHARE CAPITAL (continued)**

In June 2015, the Company issue 1,666,667 common shares for cash at $0.15 per share for total proceeds of $250,000. No finder's fee was incurred or paid.

In September 2015, 522,000 stock options were exercised at $0.08 per share for a total proceed of $41,760. Fair value of these options of $31,320 was also re-allocated from contributed surplus to share capital.

(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%.

On March 18, 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 18, 2020. All options were fully vested at the date of grant. The fair value of these 2,000,000 stock options was determined to be $222,000 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.58%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

On May 4, 2015, the Company granted incentive stock options to a consultant of the Company to purchase up to an aggregate of 250,000 common shares in the capital stock of the Company. The options are exercisable at a price of $0.20 per share, and will expire on May 4, 2020. All options were fully vested at the date of grant. The fair value of these 250,000 stock options was determined to be $37,000 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.88%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

(expressed in Canadian dollars)

8. **SHARE CAPITAL (continued)**

(b) Stock Options (continued)

(i) As at December 31, 2015, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
1,150,000	$0.05	September 8, 2019
2,000,000	$0.15	March 18, 2020
250,000	$0.20	May 4, 2020
3,400,000		

(ii) A summary of the status of the Company's stock options as at December 31, 2015 and December 31, 2014, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price
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**
Granted	2,250,000	0.16
Exercised	(1,900,000)	0.06
Cancelled	(500,000)	0.08
Balance, December 31, 2015	**3,400,000**	**0.12**

(c) Warrants

During the year-ended December 31, 2015, the Company issued 8,500,000 warrants to management and to external consultants with each warrant to purchase one common share of the Company at an exercise price of $0.15 per share over between 3 to 5 years. These warrants were issued as a result of these parties agreeing to defer receiving payments for consultant fees until the Company was in cash flow position. These warrants were issued at a total fair value of $1,024,500 being credited to contributed surplus and was charged to operation as shares based payment using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.6% to 0.77%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%. During the same period, 1,400,000 warrants had been exercised by an external consultant and a total fair value of $130,200 was reallocated to share capital from contributed surplus (Note 8(a)).

	Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2014	**-**	**-**
Granted	8,500,000	0.15
Exercised	(1,400,000)	0.15
Balance, December 31, 2015	**7,100,000**	**0.15**

Number of Shares	Exercise Price	Expiry Date
6,500,000	$0.15	April 15, 2020
600,000	$0.15	April 9, 2018
7,100,000		

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, mortgages, 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.

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 year ended December 31, 2015 and the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

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 have been valued using Level 1 inputs.

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

(a) Fair values (continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2015 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 100,047	$ -	$ -	$ 100,047
Investments	-	-	-	-
	$ 100,047	$ -	$ -	$ 100,047

(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, 2015, the Company had cash and cash equivalents of $100,047 to settle current liabilities of $2,251,643. The mortgage of $657,345 has a term which will be renewed on October 1, 2017 (Note 7). A total of convertible debentures of $400,000 are to be matured on June 15, 2017 or November 30, 2018 while the seller note payable of $106,758 is to be matured on October 30, 2025.

(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, note and convertible debts payables that bear fixed interest rates.

ii) Foreign currency risk

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

(expressed in Canadian dollars)

11. SECURED NOTES PAYABLE / CONVERTIBLE SECURED DEBT

On March 31, 2014, the note payable in the amount of $347,737 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 second mortgage (Note 7). On April 1, 2015, this secured note has been amended to become a convertible secured debt with a conversion price of $0.15 per share with the same due date. Using discounted rate of 10%, the equity portion was determined to be $58,258. Gain on extinguishment of this note payable of $2,341 was also realized and included in the consolidated statements of operations in 2015.

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 became due on demand on March 31, 2016) and secured by the Company's current and future assets with it rights subsequent to the registered holder described above. A prepayment of $170,000 was made during the year 2015 to an outside party on behalf of this loan holder and it is agreed that the prepayment amount is to be offset against the original loan amount upon maturity.

During the year ended December 31, 2014, 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 $158,654 was credited to contributed surplus, debited to secured notes and being amortized over the term of the note.

The total discount of $88,663 was charged to interest expense for the year ended December 31, 2015 (2014: $Nil).

	Convertible Debt	Loan 2	Total
Principal	$ 497,737	$ 500,000	$ 997,737
Unamortized discount	(24,177)	(11,726)	(35,903)
Prepayment	-	(170,000)	(170,000)
December 31, 2015	$ 473,560	$ 318,274	$ 791,834

12. PROMISSORY NOTE / LOANS PAYABLE / SELLER NOTE PAYABLE

On June 15, 2015, the Company entered into a convertible debenture with a third party in the amount of $250,000 with annual interest rate of 15% to be due in two years on June 15, 2017. The third party can convert the debenture, six months after the debenture date, into units of the Company at a price equal to 15% less than the market price at the time of conversion. Each unit consists of one common share and one-half warrant of the Company with each warrant exercisable at a price equal to the conversion price plus $0.05 per share. During the year-ended December 31, 2015, interest of $20,313 was accrued for on the loan.

On December 1, 2015, the Company also entered into a second convertible debenture with a third party in the amount of $150,000 with annual interest rate of 15% to be due in three years on November 30, 2018, and it was fully repaid in April, 2016 (Note 16). The third party could convert the debenture, six months after the debenture date, into units of the Company at a price equal to 15% less than the market price at the time of conversion. Each unit consisted of one common share and one-half warrant of the Company with each warrant exercisable at a price equal to the conversion price plus $0.05 per share. During the year-ended December 31, 2015, interest of $1,875 was accrued for on the loan.

On March 1, 2015, the Company received a loan of $50,000 from a third party. This loan is non-interest bearing with no fixed terms of repayment.

On October 31, 2015, the Company entered into a secured note payable with the seller of the Oroville Property in the amount of US$78,000 (Note 4). During the year-ended December 31, 2015, interest and principal of $1,410 and $1,173 was paid on this note respectively.

13. 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.

(expressed in Canadian dollars)

13. REVERSE ASSETS ACQUISITION (continued)

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
	243,367
Identifiable assets acquired and liabilities assumed:	
Cash	103,739
Liabilities	124,268
Net liabilities assumed	(20,529)
Listing expense	263,896

14. PREPAYMENTS ON FACILITIES

The Company incurred and paid several prepayments with respect to the Sumas and Oroville property as below:

- 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire the first tenant on the Sumas Property and is recorded as a prepayment;
- 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire the second tenant on the Sumas Property who is in process of applying to move its operation onto the Oroville Property. This payment is also recorded as a prepayment;
- A cash prepayment of $72,417 was made with respect to the build-up of the facility on the Oroville Property;
- Total cash prepayments of $116,710 were made as down payments in acquiring interests in three operations on the Oroville Property.

(expressed in Canadian dollars)

15. 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:

	2015	2014
	26.0%	26.0%
	$	$
Loss for the year	(4,640,193)	(1,225,537)
Expected income tax recovery	(1,206,450)	(318,640)
Items deductible and not deductible for income tax purposes	349,464	142,722
Change in tax rate	-	(152,052)
Current and prior tax attributes not recognized	856,986	327,970
	-	-

Details of deferred tax assets are as follows:

	2015	2014
	$	$
Non-capital loss carryforwards	1,319,094	468,493
Investments	6,572	6,572
Equipment and others	8,526	2,141
Unrecognized deferred tax assets	(1,334,192)	(477,206)
	-	-

As at December 31, 2015, the Company had approximately $5,000,000 of non-capital losses available, which begin to expire through to 2035 and may be applied against future taxable income.

At December 31, 2015, 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

16. SUBSEQUENT EVENTS

200,000 warrants were exercised by an external consultant at an exercise price of $0.15 per share and issued 200,000 common shares of the Company.

700,000 stock options were exercised by an officer of the Company at an exercise price of $0.05 per share and issued 700,000 common shares of the Company.

400,000 stock options granted to a former director with an exercise price of $0.05 per share were expired and cancelled.

500,000 common shares of the Company were issued to an outside consultant at a fair value of $0.04 per share for services.

$150,000 convertible debenture originally issued on December 1, 2015 was renegotiated and repaid subsequent to the year end (Note 12).

The Company entered into a refinanced second mortgage agreement on its property in Langley, B.C., in the amount of $700,000 from a private lender. The principal amount of the mortgage is $700,000 and bears interest at the rate of 10 per cent per year with a term of five years. Proceeds of the mortgage will be used toward paying out the prior second mortgage of $400,000 and the balance for general working capital purposes. The Company may prepay the mortgage on payment of a three-month interest penalty (Note 7).

1,602,500 common shares were issued at a deemed price of $0.05 per share to settle certain consulting invoices.