BioNeutra Global Corporation

CSE:BGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the ten months ended
December 31, 2014

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for BioNeutra Global Corporation ("BioNeutra" or the "Company"), prepared as of April 30th, 2015, should be read in conjunction with the audited consolidated financial statements for the ten months ended December 31, 2014 and the notes thereto.

BioNeutra's Management is responsible for the information disclosed in this MD&A and is also responsible for ensuring procedures and controls exist within the Company that will provide reasonable assurances regarding the reliability of the Company's financial reporting and its compliance with International Financial Reporting Standards ("IFRS"). In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to the Company's accounting and audit procedures and its public disclosures. The Audit Committee and Board of Directors have reviewed and approved this MD&A and the accompanying audited consolidated annual financial statements and notes thereto.

The accompanying audited consolidated annual financial statements are prepared in accordance with IFRS and are reported in Canadian dollars unless otherwise stated. These accounting principles require the Company to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. Management believes these estimates and assumptions are reasonable based on the information available at the time that these estimates and assumptions were made. These estimates and assumptions have been discussed with the Company's Audit Committee. Actual results may differ under different assumptions and conditions.

Additional information on the Company, including its annual audited consolidated financial statements, is available on SEDAR (www.sedar.com).

Forward-Looking Information

This MD&A may contain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking statements. Generally, forward-looking statements may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved.

These forward-looking statements reflect the Company's current beliefs and are based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, demand for the Company's products, meeting budgets and forecasts and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any future results, level of activity, performance, or achievements expressed or implied by such forward-looking statements. Such risks and other factors may include, but are not limited to: the stage of development of the Company's products; general business, economic, competitive, political and social uncertainties; the customer base for the Company's products; competition; delay or failure to receive regulatory approvals; changes in laws and regulations affecting the Company; timing and availability of external financing on acceptable terms; intellectual property risks; and loss of key individuals.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Please see the section titled "Risk Factors and Uncertainties" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking statements.

CHANGE IN YEAR END

Effective October 29, 2014, the Company completed an acquisition of BioNeutra North America Inc. ("BioNeutra North America") and BioNeutra International Limited ("BioNeutra International"). The Company issued 198,765,933 (post-consolidation 19,876,593) common shares to the shareholders of BioNeutra North America and 186,839,977 (post-consolidation 18,683,998) common shares to the shareholders of BioNeutra International in exchange for all the issued and outstanding shares of BioNeutra North America and BioNeutra International.

The acquisition of BioNeutra North America was considered a reverse acquisition for accounting purposes, with BioNeutra North America identified as the acquirer. As such, the consolidated financial statements as at December 31, 2014 and for the ten months ended December 31, 2014 include the results of BioNeutra North America over the period along with the results of the Company for the period from the date of the acquisition through December 31, 2014. The shareholders' equity accounts reflect capital activity related to BioNeutra North America up to the date of the acquisition. As of the date of the acquisition, the shareholders' equity accounts were effectively recapitalized, reflecting the share capital structure of the Company from the date of the acquisition onward. The comparative statements as of February 28, 2014 and for the year ended February 28, 2014 reflect the financial position and results of BioNeutra North America based on its position as the acquiring company for accounting purposes in the reverse acquisition. BioNeutra North America changed its year end to December 31, 2014 after the acquisition.

The acquisition of BioNeutra International was considered an asset acquisition for accounting purposes. As such, the assets acquired and liabilities assumed were recognized in the consolidated financial statements as at the date of the acquisition and the consolidated financial statements for the ten months ended December 31, 2014 include the results of BioNeutra International for the period from the date of the acquisition through December 31, 2014.

OVERVIEW OF THE BUSINESS

Background

As previously noted, on October 29, 2014, the Company completed asset acquisition transactions involving BioNeutra North America and BioNeutra International. These transactions were effected pursuant to a plan of arrangement between the Company, BioNeutra North America and 1839390 Alberta Ltd., and pursuant to a share exchange agreement entered into between the Company, and the shareholders of BioNeutra International. As a result of the asset acquisition transactions, BioNeutra North America and BioNeutra International became wholly-owned subsidiaries of the Company, and the Company was listed on the Canadian Securities Exchange (the "CSE") under the symbol "BGA".

The Company's principal business operations are conducted through its wholly-owned subsidiary BioNeutra North America from its Edmonton, Alberta head office. Through its subsidiaries, the Company's commercial activities are based in research and development, production and commercialization of food ingredients for nutraceutical, functional and mainstream foods, with a focus on oligosaccharides.

Products

The Company's lead commercial product, VitaFiber™, is an advanced functional and health food ingredient scientifically made from natural agricultural products. VitaFiber™ is naturally sweet and lower in calories than regular sugar. VitaFiber™ is also a natural source of dietary fiber as it provides low calorie soluble prebiotic fiber for human digestive health.

The Company produces VitaFiber™ using a wholly-owned patented process that naturally transforms starch molecules from local agriculture cereal crops including corn, wheat, barley, potato, and tapioca into the functional health molecules of isomalto-oligosaccharide ("IMO"). The VitaFiber™ manufacturing process is based upon a natural enzymatic conversion of starch molecules without any chemical modification involved, making VitaFiber™ a natural food ingredient. VitaFiber™ is also non-GMO, vegan-friendly, gluten-free, Kosher and Halal certified and available as certified organic.

The Company's customers include a mix of small and medium enterprises (SMEs) and a number of high-profile food manufacturers in Canada, the United States, Europe, the United Kingdom, and Mexico. VitaFiber™ is also available for retail purchase across the globe through Amazon.com and other direct-to-consumer retailers. VitaFiber™ is FDA (GRAS) and European Food Safety Authority and Health Canada approved.

FISCAL 2014 HIGHLIGHTS: YEAR OVERVIEW

- Revenue for the ten-month period ended December 31, 2014 was $13,060,336. This represents a 72% increase over revenues of $7,577,334 for the twelve-month period ended February 28, 2014. The gross margin percentage for the ten-month period ended December 31, 2014 was 45.11%. The increased revenues during the ten-month period ended December 31, 2014 were driven by increased sales of VitaFiber™ IMO (isomalto-oligosaccharides) to food manufacturers targeting functional and health food markets.

- BioNeutra reported a net income of $4,258,670 or $0.18 per share in the ten-month period ended December 31, 2014. This compares with a net income of $678,856 for the twelve-month period ended February 28, 2014. The increased net income is a result of increased sales and a significant deferred income tax recovery.

- On October 29, 2014, the Company completed asset acquisition transactions involving the Company, BioNeutra North America and BioNeutra International. These transactions were effected pursuant to a plan of arrangement between the Company, BioNeutra North America and 1839390 Alberta Ltd., and pursuant to a share exchange agreement entered into between the Company, and the shareholders of BioNeutra International. As a result of these transactions, BioNeutra North America and BioNeutra International became wholly owned subsidiaries of the Company and the Company was listed on the CSE under the symbol "BGA".

- On November 25, 2014, BioNeutra North America was awarded the BioAlberta "Company of the Year Award" at the 15th Annual BioAlberta AGM and Awards Gala in Calgary, Alberta. This Award is presented to a company that has shown significant achievement within the marketplace and Alberta's business community through strong performance or a leadership role.

- Throughout 2014, BioNeutra built a stockpile of inventory at its California warehouse facility in order to avoid shipping delays from offshore manufacturers that may have resulted from the threatened strike by the International Longshoremen and Warehouse Union. By stockpiling inventory onshore, BioNeutra was able to maintain a steady supply of VitaFiber™ to its North American customer base.

- In late 2014, BioNeutra made VitaFiber™ available to manufacturers and consumers in Europe and the United Kingdom. The Company supported its European distribution by establishing a warehouse facility in Amsterdam.

FUTURE PLANS AND OUTLOOK

BioNeutra is committed to maximizing its opportunities in Canada, the US, Europe, the UK, and Mexico, and is expanding into key emerging markets to promote VitaFiber™ as a healthy functional food ingredient. Consumers worldwide are now recognizing the positive lifestyle and health benefits of VitaFiber™. To satisfy the demands of the growing global middle class for functional and health food product ingredients, the Company will continue to focus and expand its research and development efforts to create innovative products to broaden its portfolio and generate additional revenue.

Because the market demand for VitaFiber™ is increasing, the Company is working to broaden its customer base of mainstream functional and health food manufacturers and pharmaceutical companies that create products incorporating VitaFiber™. Furthermore, in early 2015 the Company successfully formed a relationship with Amazon.com to sell VitaFiber™ into a broad and robust retail customer base.

The Company is acquiring a commercial production plant in Canada to increase and stabilize the Company's supply chain as well as expanding its research and development activities.

FINANCIAL SUMMARY

Non-IFRS Measurements

The Company uses both IFRS and non-IFRS measures to make strategic decisions and set targets and believes that the non-IFRS measures provide useful supplemental information to investors. Adjusted EBITDA (as defined below), gross profit, gross margin and cash from operations are measures used by the Company that do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.

> "Gross profit" is defined as revenue less cost of sales. Cost of sales includes inventory, custom, duty and freight costs.
>
> "Gross margin" is revenue less cost of sales, divided by revenue and expressed as a percentage.
>
> "Adjusted EBITDA" is defined as net income before interest, income taxes, stock options expense, depreciation, amortization and impairment charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income as determined in accordance with IFRS. Management uses Adjusted EBITDA as a measure of cash generation in its budgeting and financial reporting processes, recognizing that it does not reflect working capital and other balance sheet changes.
>
> "International markets" refer to those countries which are located in Europe, the United Kingdom, Mexico, Africa, Asia, Eastern Europe, Middle East, South America, Australia, and New Zealand, whereas "domestic markets" or "Americas" refers to the countries of Canada and the United States.

Selected Annual Information

All figures are presented in accordance with IFRS.

	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	Year Ended February 28, 2013
Revenue	13,060,336	7,577,334	2,174,373
Expenses	3,755,857	2,657,442	647,248
Income taxes	(1,824,401)	453,025	83,206
Other income (loss)	298,945	212,434	67,383
Discontinued operations			
Net (loss) income	4,258,670	678,856	396,962
Earnings (loss) per share	0.18	0.38	n/a
Fully diluted earnings (loss) per share	0.18	0.38	n/a
Total assets	13,824,259	6,173,926	2,398,433

RESULTS OF OPERATIONS

Comparison of the Ten Months Ended December 31, 2014 and Year Ended February 28, 2014

Revenue

Revenue from:			Increase (decrease)	
	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	$	%
Sales	$13,060,336	$7,577,334	$5,483,002	72.4

Total revenues for the ten-month period ended December 31, 2014 were $13,060,336, a 72% increase over sales of $7,577,334 for the twelve-month period ending February 28, 2014. This increase in revenue was a result of increased sales to major functional food manufacturers who were in turn experiencing significant growth in their own global sales. In addition, the Company's customer base continues to grow as mainstream functional and health food manufacturers and pharmaceutical companies are creating products incorporating the Company's IMO.

Gross Profit

			Increase (decrease)	
	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	$	%
Sales	$13,060,336	$7,577,334	$5,483,002	72.4
Cost of Sales	7,169,155	4,000,445	3,168,710	79.2
Gross Profit	5,891,181	3,576,889	2,314,292	64.7
Gross Margin (% of revenue)	45.1%	47.2%	(2.1)	

The Company's gross profit for the ten-month period ended December 31, 2014 was $5,891,181, an increase of $2,314,292 from gross profit of $3,576,889 for the twelve-month period ended February 28, 2014.

The Company's gross margin percentage for the ten-month period ended December 31, 2014 decreased to 45.11%, down 2.10% from 47.21% for the period ended February 28, 2014. The decrease in gross margin percentage is primarily attributable to fluctuations in foreign exchange rates affecting both revenues and cost of sales and volume discounts to key customers with significant purchase volumes.

Expenses

			Increase (decrease)	
	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	$	%
Professional fees	$803,485	$152,621	$650,864	426.5
General and administrative	782,319	594,001	188,318	31.7
Reorganization cost	615,634	---	615,634	100.0
Salaries and benefits	418,282	441,056	(22,774)	(5.2)
Sales and marketing	282,150	140,021	142,129	101.5
Management fee	232,680	243,640	(10,960)	(4.5)
Warehouse costs	197,127	128,284	68,843	53.7
Listing expense	188,952	---	188,952	100.0
Depreciation	110,783	7,946	102,837	1294.2
Research and development	90,775	166,724	(75,949)	(45.6)
Interest and bank charges	19,976	39,088	(19,112)	(48,9)
Amortization	13,694	74,061	(60,367)	(81.5)
Loss on lawsuit	---	670,000	(670,000)	(100.0)
Total expenses	3,755,857	2,657,442	1,098,415	41.3
As a percentage of revenue	28.8%	35.1%	20.0%	

Total expenses for the ten-month period ended December 31, 2014 were $3,755,857, an increase of $1,098,415 from $2,657,442 for the twelve-month period ended February 28, 2014. The Company's expenses include professional fees, staffing and general office expenses.

The Company's expenses have increased as a result of increased business activities growing sales. The Company incurred increased professional fees in connection with the asset acquisition transactions and disclosure obligations associated with becoming a reporting issuer and a publicly traded company listed on the CSE.

Other Income

	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	Increase (decrease) $	Increase (decrease) %
Grants	$75,068	$36,814	$38,254	103.9
Interest and other	25,463	24,031	1,432	6.0
Realized foreign exchange gain	198,414	151,589	46,825	30.9
	298,945	212,434	86,511	40.7

The Company has received and will continue to receive a grant from the provincial Government of Alberta in support of the Company's business development activities for the period from September 1, 2013 to August 31, 2015. For the ten months ended December 31, 2014, the Company received a total of $52,833 (year ended February 28, 2014 – $34,498) through this source of funding. As at December 31, 2014, 10 monthly payments have been received and no amount is required to be repaid.

Included in Other Income is a grant of $22,235 received from the provincial and federal government. The use of the grant is restricted to activities that develop new products, access new markets or expand the business. The costs of eligible activities related to this grant occurred prior to the receipt of the grant, and therefore no amount is required to be repaid.

Income Tax Expense (Recovery)

As at December 31, 2014, the Company had Canadian tax losses with a tax benefit of $1,574,015 (February 28, 2014 - $nil). The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. These losses may be carried forward and expire beginning in 2030.

Deferred income tax assets have been recognized as the amalgamation of BioNeutra Inc. has provided loss carryforwards that the Company can use to offset likely taxable income in the future.

Net Income

	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	Increase (decrease) $	Increase (decrease) %
Net (loss) income	4,258,670	678,856	3,579,814	527.3

Increased sales combined with a steady gross margin percentage resulted in net income of $4,258,670 for the ten-month period ended December 31, 2014, a five-fold increase from net income of $678,856 for the twelve-month period ended February 28, 2014.

SUMMARY OF QUARTERLY RESULTS

For the Fiscal Quarters Ended:

	2014 (unaudited)				2013 (unaudited)			
	Dec-31	Sept-30	Jun-30	Feb-28	Nov-30	Aug-31	May-31	Feb-28
Consolidated								
Total revenue	4,031,678	3,404,759	5,623,899	2,129,847	1,718,863	1,991,783	1,736,841	1,128,338
Cost of sales	2,590,057	1,773,534	2,805,564	1,117,447	912,220	1,096,728	874,050	649,044
Gross profit (loss)	1,441,621	1,631,225	2,818,335	1,012,400	806,643	895,055	862,791	479,294
Net income (loss)	309,916	228,912	3,719,842	(706,617)	444,778	392,228	548,468	54,004
Comprehensive income (loss)	478,775	346,433	3,685,283	(643,072)	465,102	433,641	523,693	74,807
Current assets	6,944,582	6,469,618	5,951,125	4,088,983	3,001,452	3,768,459	2,434,231	1,499,902
Non-current assets	6,879,677	2,579,544	2,637,227	2,084,943	698,344	703,540	735,149	898,531
Total assets	13,824,259	9,049,162	8,588,352	6,173,926	3,699,796	4,471,998	3,169,380	2,398,433
Current liabilities	2,967,648	3,076,076	3,047,378	3,738,506	37,271	1,340,418	496,408	1,214,855
Non-current liabilities	218,750	218,750	218,750	510,000	1,094,041	1,028,199	1,703,776	738,075
Total liabilities	3,186,398	3,294,826	3,266,128	4,248,506	1,131,312	2,368,617	2,200,184	1,952,930
Cash and cash equivalents	2,084,687	1,984,876	2,701,721	1,190,600	748,379	712,856	1,283,463	9,082
Working capital	3,976,934	3,393,542	2,903,747	350,477	2,964,181	2,428,040	1,937,823	285,047
Equity	9,637,861	5,754,336	5,322,224	1,925,420	2,568,484	2,103,382	969,196	445,503
Net income per share (see Notes below)								
Basic	0.01	0.00	0.01	(0.02)	0.01	0.04	548,467	54,004.41
Diluted	0.01	0.00	0.01	(0.02)	0.01	0.04	548,467	54,004.41
Dividends declared	---	579,736	---	---	---	---	---	---

Note:
The net income per share for the quarters prior to May 31, 2014, number of share of 1 was used.
The net income per share for the quarters between June - August 2013, weighted average number of share of 9,801,953 was used.
The net income per share for the quarters between September - February 2014, weighted average number of share of 30,473,114 was used.
The net income per share for the quarters between March - September 2014, number of share of 57,9973,561 was used.
The net income per share for the quarter October - December 2014, weighted average number of share of 33,703,742 was used.
Other than last quarter, none of the quarters take 10:1 share consolidation into consideration, since there was only BNA's share for these periods.

Over the past eight quarters, the Company has demonstrated continued growth in terms of revenue, gross profit and net income and continued to develop a solid cash position and asset base.

As a result of the asset acquisition transaction, the Company acquired the worldwide distribution rights (outside China) for its IMO products, and has been able to increase its sales with access to new markets in Europe and the United Kingdom. Consumers worldwide are recognizing the positive lifestyle and health benefits of VitaFiber™, and the Company is taking advantage of increasing market demand for functional and health food ingredient products on both business-to-business and business-to-consumer levels.

In the quarter ended February 28, 2014, the Company settled an ongoing lawsuit, resulting in a net loss in that quarter.

The net income per share set out in the above table does not correspond with the net income per share for the ten-month period ended December 31, 2014 ($0.18) as a result of the formula used to determine the weighted average number of shares outstanding, as set out on the notes to the table above.

FINANCIAL CONDITION & LIQUIDITY

			Increase (decrease)	
Cash provided by (used in):	Ten Months Ended December 31, 2014	Year Ended February 28, 2014	$	%
Operating Activities				
Net income	$4,258,670	$678,856	$3,579,814	527.3%
Items not affecting cash				
Depreciation	110,783	7,946	102,837	1294.2
Amortization	13,694	74,061	(60,367)	(81.5)
Deferred income tax	(1,707,835)	170,272	(1,878,107)	(1103.0)
Listing expense	188,952	---	188,952	100.0
Change in non-cash working capital balances	(1,689,808)	73,293	(1,763,101)	(2405.6)
	1,174,456	1,004,428	170,028	16.9
Investing Activities				
Cash acquired from acquisitions	190,567	---	190,567	100.0
Purchase of equipment	(48,741)	(15,188)	(33,553)	220.9
Purchase of intangible assets	(87,088)	(33,077)	(54,011)	163.3
	54,738	(48,265)	103,003	(213.4)
Financing Activities				
Advance from (repayment to) related parties	(361,395)	127,213	(488,608)	(384.1)
Repayment to shareholders	(4,979)	---	(4,979)	(100.0)
Dividends paid	(446,536)	---	(446,536)	(100.0)
Proceeds from share issuance	---	9	9	(100.0)
	(812,910)	127,222	(940,132)	(739.0)
Effect of foreign exchange	477,803	98,133	379,670	386.9
Increase in cash	894,087	1,181,518	(287,431)	(24.3)
Cash, beginning of year	1,190,600	9,082	1,181,518	13009.4
Cash, end of year	2,084,687	1,190,600	894,087	75.1

At December 31, 2014, the Company had a cash balance of $2,084,687 and working capital of $3,976,934 (as compared with $1,190,600 and $350,477 at February 28, 2014). Cash provided by operating activities during the ten-month period ended December 31, 2014 was $1,174,456, as compared with $1,004,428 for the twelve-month period ended February 28, 2014.

The Company currently sells its products to customers in Canada, the United States, Europe, the United Kingdom, and Mexico. On a daily basis, the Company receives inquiries from businesses and individuals around the globe expressing an interest in purchasing VitaFiber™. In late 2014, BioNeutra made its products available to individual consumers in Europe and the United Kingdom and supported European distribution by opening a warehouse facility in Amsterdam.

The Company has a credit facility of $500,000 to assist with working capital needs that is due on demand, bears interest at prime plus 1.75% per annum and is secured by a general security agreement on all assets of the Company. As at December 31, 2014, the Company had not drawn on this credit facility.

At December 31, 2014, the Company had healthy working capital and management is confident that the increasing consumer demand for functional and health food product ingredients like VitaFiber™ will not only result in recurring sales, but continue to increase revenues and profitability of the Company. The Company is committed to having VitaFiber™ included in the development of new and healthy functional food products that the market and consumers are demanding from food manufacturers.

Total Assets

The total assets of the Company were $13,824,259 on December 31, 2014, as compared to $6,173,926 on February 28, 2014, an increase of $7,650,333. Accounts receivable increased by $1,115,313 because of increased sales and a growing customer base.

The Company's net investment in equipment held relatively steady at $1,498,205 at December 31, 2014. The Company's equipment is made up primarily of laboratory equipment, production equipment, leasehold improvements, and furniture and office equipment.

The Company's net investment in intangible assets increased to $3,867,539 at December 31, 2014 from $686,636 at February 28, 2014 as a result of the Company's acquisition of significant patent and trademark intellectual property as part of the asset acquisition transactions between the Company, BioNeutra North America and BioNeutra International.

As at December 31, 2014, the Company had Canadian tax losses with a tax benefit of $1,574,015 (February 28, 2014 - $nil). The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. These losses may be carried forward and expire beginning in 2030. Deferred income tax assets have been recognized as the amalgamation of BioNeutra Inc. has provided loss carryforwards that the Company can use to offset likely taxable income in the future.

Total Liabilities

The total liabilities of the Company were $3,186,398 on December 31, 2014, as compared to $4,248,506 at February 28, 2014, a decrease of $1,062,108.

Total amount payable to related parties decreased from $ 2,459,828 at February 28, 2014 to $86,572 at December 31, 2014. A balance of $2,073,892 payable to BioNeutra Inc. at February 28, 2014 was eliminated on amalgamation with the Company.

The Company issued an unsecured note to an unrelated party to raise working capital. The remaining balance of the note payable is $287,939 and has no terms of repayment.

In 2010, the Company executed an agreement for funding with the federal Government of Canada. As at December 31, 2014, the Company has received $250,000 under that agreement. This funding is a repayable contribution to fund activity for a period from November 24, 2009 to December 31, 2014. The Company is required to repay the contributions in annual installments of $31,250 from 2015 to 2022.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the ten-month period ended December 31, 2014.

Related Party Transactions

As part of an amalgamation between the Company and BioNeutra Inc. on March 1, 2014, amounts payable to BioNeutra Inc. of $1,323,892 and $750,000 were eliminated.

As part of the business combination transaction on October 29, 2014, an amount payable to BioNeutra International of $385,936 was eliminated.

The Company incurred an amount payable of $86,572 to a former shareholder of BioNeutra International, which amount is unsecured, non-interest bearing and has no repayment terms.

In the ten months ended December 31, 2014, the Company engaged in the following related-party transactions:

- The Company paid management fees to 1168426 Alberta Ltd. of $85,200, a decrease from $99,700 for the twelve months ended February 28, 2014.
- Pursuant to an intellectual property licensing agreement, up to date of acquisition, the Company paid a royalty fee to its wholly owned subsidiary BioNeutra International of $401,894. The royalty fee increased from $299,374 for the twelve months ended February 28, 2014 due to increased sales.
- The Company paid management fees to 1767477 Alberta Ltd. of $69,680, an increase from

$46,640 for the twelve months ended February 28, 2014.

- The Company paid management fees to Pak-Alberta Consultant Inc. of $77,800, a decrease from $97,300 for the twelve months ended February 28, 2014.

In the ten months ended December 31, 2014, the Company paid key management compensation of $62,000, a decrease from $110,000 for the twelve months ended February 28, 2014.

Commitments

The Company has a lease agreement for its present Edmonton, Alberta location which expires June 30, 2015. The remaining commitment on the lease excluding operating costs is $44,100.

On April 23, 2015, BioNeutra North America entered into an agreement to acquire a building of approximately 47,000 square feet comprised of manufacturing and office space situated on 2.65 acres of land in a light industrial area of Edmonton, Alberta, Canada. The Company intends to use this property for its head office, to establish Canadian manufacturing capacity, and to expand its research and development capabilities. The Company expects to complete the purchase of the property mid-2015 and begin renovations shortly thereafter.

INCOME TAXES

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income taxes is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes is recognized 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. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unused tax losses and unused tax credits can be utilized.

Deferred income taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income taxes is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

SHARE DATA

As at April 30, 2015, BioNeutra had 43,053,120 common shares outstanding and purchase warrants exercisable for 3,300,000 common shares.

The outstanding common share purchase warrants were issued as part of a private placement of units that closed March 27, 2015. Each warrant entitles the holder to purchase one additional common share at a price of $0.50 per common share for a period of 36 months following the date of closing, provided that if after four months and one day following the closing date the closing price of the common shares is equal to or exceeds $1.00 for 20 consecutive trading days, then the warrants shall accelerate to expire on the date which is 30 days following the date a press release is issued by BioNeutra announcing the reduced warrant term or the date that written notice has been given to the warrantholder.

On October 29, 2014, as part of the asset acquisition transactions, the Company issued 19,876,593 common shares of the Company at a value of $250,345 as consideration for a reverse acquisition and 18,683,998 common shares of the Company at a value of $3,390,496 as consideration for an asset acquisition.

Stock Options

As at April 30, 2015, the Company had stock options exercisable for 3,000,000 common shares.

The Company has a stock option plan whereby the maximum number of shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares of the Company. Stock options may be granted to directors, employees, management company employees and consultants. The exercise price of the options granted shall be determined by the Board of Directors in accordance with the policies of the CSE. No single participant may be issued options representing greater than 5% of the number of outstanding shares in any 12 month period unless the Company has obtained disinterested shareholder approval. The number of shares reserved for issuance to any one consultant of the Company may not exceed 2% of the number of outstanding shares in any 12 month period. The exercise price per common share for an option shall not be less than the greater of the closing market price of the common shares on (i) the trading day prior to the date of the grant of the option and (ii) the date of the grant of the option. Every option shall have a term not exceeding and shall therefore expire no later than 10 years after the date of grant. Terms of vesting of the options, the eligibility of directors, officers, employees, management company employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board of Directors, subject to the policies of the CSE.

RISK FACTORS AND UNCERTAINTIES

The Company is exposed to a number of risks and uncertainties that can affect the operations and success of the Company. Management and the Board work to identify and manage these risks on an ongoing basis. Several of the most important risks facing the Company at the present time are as follows:

Economic Conditions

Changes in economic conditions, including without limitation, recessionary or inflationary trends, commodity prices, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, unemployment, and overall consumer confidence can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Dependence on Third Parties

BioNeutra's operations rely on arrangements with third parties related to the manufacturing and production, and commercialization of the Company's products. The Company's revenues are therefore dependent on the successful efforts of these third parties.

The Company's management has relationships with multiple offshore manufacturers dating back to 1998. The Company works closely on an ongoing basis with these manufacturers to establish and enhance their quality control systems and improve synergies with the Company's demands and operations.

As BioNeutra holds worldwide patents (except China) for the IMO production process, the Company can effectively control the quality of the products created using its patent-protected process.

Competition

The functional food industry is characterized by competition and ongoing product development in all its phases. The Company competes with numerous other organizations in the development and sales of functional food ingredient products. The Company's competitors include companies that have significant financial resources, marketing and sales, staff and facilities. The Company's ability to remain viable in the future will depend on its ability to develop, maintain and exploit its intellectual property, remain cost effective, and develop markets for its products. Competitive factors in the manufacture and sales of functional food product ingredients include price and methods of production and the ability to deliver products to market. If the Company is not able to compete effectively in this regard, its future growth may be negatively impacted.

Key Personnel

The success of BioNeutra depends upon the personal efforts of its senior management. The Company has in place a qualified and experienced senior management team that has successfully led the Company to increase revenues and expand market share in Canada, the United States, Europe, the United Kingdom, and Mexico.

Regulation

BioNeutra, its subsidiaries and the products it sells are subject to a variety of laws and regulations, such as those enforced by Health Canada, the American FDA, the European EFSA and others, and may become subject to additional laws, regulations and guidelines in the future. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Legal, tax and changes in the regulatory framework may occur that can adversely affect the Company, its subsidiaries and/or the shareholders of the Company. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the Company, its subsidiaries and/or the shareholders of the Company.

In order to manufacture and sell functional food product ingredients, the Company and its subsidiaries will require licenses from various governmental authorities. There can be no assurance that the Company and its subsidiaries will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

The Company's senior management team monitors regulatory changes on a daily basis and is qualified and prepared to adjust to any significant regulatory changes to ensure that the operations of the Company will not be adversely affected.

Future Financing

BioNeutra's principal source of funds is cash generated from its subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels.

Litigation

In the normal course of the Company's operations, or the operations of its wholly-owned subsidiaries, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may not be determined in the Company's favour, and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

Currently, BioNeutra North America and BioNeutra International are parties to ongoing litigation matters in Canada and the United States, the adverse outcome of which could similarly have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations.

On August 16, 2010, Chuang Ji Huang has filed a claim against the Company seeking repayment of a $100,000 loan to the Company with 10% annual rate from March 31, 2009 to date of judgement, repayment of $187,939, pre-judgement interest and other damages as the court deems fit. The Company counterclaimed for breach of agreement made and damages caused, claiming $2,720,000 for monies due under an agreement together with interest thereon from June 30, 2009, $12,843,939 for costs incurred and damages suffered due to the breach, $2,000,000 aggravated, exemplary and punitive damages and costs. Nothing has happened in this litigation since 2012, and to account for this contingency, an amount of $287,939 has been accrued in the Company's financial statements.

In March 2011, Flair Flexible Packaging (Canada) Corporation has filed a Statement of Claim against the Company seeking $105,985 plus interest thereon from April 16, 2012 to the date of judgement and costs. The Company filed a Statement of Defence, and no amount has been accrued in the Company's financial statements as the outcome of this matter cannot be determined and the amount of the loss cannot be reliably determined.

BioNeutra North America is a party to contemporaneous litigation in Canada and the United States with Top Health Ingredients Inc. ("Top Health") that began in 2014. In these actions, BioNeutra North America alleges that Top Health infringed the Patents licensed by BioNeutra North America, and that Top Health's infringement has caused monetary damages to BioNeutra North America. BioNeutra North America also seeks a permanent injunction to prevent Top Health from any further infringement of the Patents. Subsequent to BioNeutra North America's claim, Top Health issued a counterclaim seeking a declaration that the Patents licensed by BioNeutra North America are invalid. This litigation is currently in the discovery phase.

Product Liability Claims

The Company's VitaFiber™ product is for human consumption, and as such there is a risk that the Company may face product liability claims or product recalls.

The Company has implemented a stringent quality control program with its manufacturers and has never experienced a product recall or product liability claim. In the event of such a product recall or product liability claim, the Company has in place insurance to cover such risk.

Financial Risk

The Company may become exposed to a variety of financial risks, including but not limited to: credit risk, concentration of risk, foreign currency risk, interest rate risk, and liquidity risk.

(a) exposure to credit risk relates to cash and accounts receivables, and arises from the possibility that a third party does not satisfy its contractual obligations;

(b) exposure to foreign currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company could be exposed to this risk on cash, accounts receivable and accounts payable held in foreign currencies;

(c) exposure to interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates;

(d) exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations, or raising of funds to meet commitments and sustain operations.

None of the matters of the foregoing nature which are currently known to management are presently considered material by the Company, however until such time as the matters are fully resolved the true ultimate impact is unknown.

Adverse Weather Conditions, Natural Disasters, and Environmental Factors

Adverse weather conditions, natural disasters, and environmental factors for prolonged periods can materially impact the business, operating results and financial condition of the Company's subsidiaries and the operations of third parties collaborating with the Company. As a result, the revenues and operating results of the Company may be adversely and negatively affected.

Customers

There is a risk that one or more material customers of the Company may, without notice, terminate their relationship with the Company at any time. In addition, even if customers should decide to continue their relationship with the Company, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms.

To mitigate customer-based risks, the Company's management works continually to increase the breadth and depth of the Company's customer base on both business-to-business and business-to-consumer fronts.

Suppliers

There is a risk that the arrangements with suppliers relied upon by the Company may, without notice, be terminated by the suppliers at any time. A major unexpected change in the supply of the Company's products could have a material adverse effect on the Company's business and financial condition.

The Company's management has relationships with multiple offshore manufacturers dating back to 1998. The Company works closely on an ongoing basis with these manufacturers to nurture mutually beneficial relationships and mitigate supplier-based risks.

Exposure to Business Risks Associated with International Operations

The Company intends to continue to make efforts to increase the Company's international operations and anticipates that international sales will continue to account for a significant portion of the Company's revenue. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, compliance with domestic and foreign laws (including domestic and international import and export laws and regulations), costs related to localizing products for foreign markets, and costs related to translating and distributing products in a timely manner. Significant international sales may also expose the Company to greater risk from political and economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods, regulatory requirements, tariffs and other trade barriers. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect the Company's effective tax rate. Also, international expansion may be more difficult, time consuming and costly. As a result, if revenues from international operations do not offset the expenses of maintaining foreign operations, the Company's operating results will suffer. Moreover, in any given quarter, a change in foreign exchange rates may adversely affect the Company's revenue, earnings or other financial measures.

Intellectual Property

The Company's competitive advantage is dependent on its intellectual property, including its patents and trademarks. As with all intellectual property, a risk exists that the Company's intellectual property could be challenged or struck out. A loss of or infringement against one or both of the patents owned by BioNeutra International could have a detrimental impact on the Company's success.

In light of such intellectual property risks, the Company vigorously defends against any infringement of its patents or trademarks. Additionally, the Company is involved in continuous research and development to grow and diversify its intellectual property asset base.

Investment in Research and Development

The Company has made and will continue to make significant investments in research and development, production and commercialization of food ingredients, product development and related product opportunities. Commercial success of such efforts depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not receive regulatory approval, and even if they do receive regulatory approval, they may not be profitable.

In order to ensure that the Company makes informed decisions in allocating its research and development efforts, the Company's Board has implemented a Scientific Advancement Committee. The primary functions of this Committee is to advise the Board and management on scientific matters involving the Company's research and development programs, to interact with academic and other outside research organizations, and to help the Company stay ahead of the curve and anticipate emerging concepts and trends in the functional food ingredient industry.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, amount receivable from related party, accounts payable and accrued liabilities, amounts payable to related parties, amounts payable to shareholders, note payable, contingent amount payable and repayable government contribution.

Financial Risk Management

The Company's activities are exposed to a variety of financial risks: credit risk, concentration of risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Fair Value

The fair value of cash, accounts receivables, accounts payable and accrued liabilities, dividend payable, note payable, contingent amount payable and repayable government contribution payable approximates its carrying amount due to their short term nature. The fair value of amount receivable from related party, amounts payable to shareholders and amounts payable to related parties cannot be reliably determined due to their nature as they are non-interest bearing and have no terms of repayment.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

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

As at December 31, 2014, the Company had cash, classified as "fair value through profit or loss", measured at fair value - Level 1. All other financial instruments are measured at amortized cost using the effective interest rate method.

Credit Risk

The Company's exposure to credit risk relates to cash and accounts receivable and arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash with major chartered banks, reviewing new customers' credit history before extending credit, conducting regular reviews of its existing customers' credit performance and insuring the receivable amount with a third party insurance company. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable and accounts payable held in U.S. dollars and accounts receivable held in Euro. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate price risk on its note payable which bears a fixed interest rate. Management does not believe this risk is significant.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at December 31, 2014, the Company was holding cash of $2,084,687 (February 28, 2014 - $1,190,600), accounts receivable of $2,175,594 (February 28, 2014 - $1,060,281) and had a working capital of $3,976,934 (February 28, 2014 - $350,477). Non-derivative financial liabilities of $2,967,648 will be settled within one year.

The Company has a credit facility of $500,000 to assist with working capital needs that is due on demand, bears interest at prime plus 1.75% per annum and is secured by a general security agreement on all assets of the Company. As at December 31, 2014, the Company had not drawn on this credit facility.

Capital Management

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include the continuing operations of the business. The Company includes shareholders' equity of $10,637,861 (February 28, 2014 - $1,925,420) and amounts payable to related parties of $86,572 (February 28, 2014 – $1,949,828) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the cash generated from operations and through obtaining financing.

The Company is not subject to externally imposed capital requirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's Audit Committee, in consultation with Management and the Company's auditors, is responsible for development and deployment of the Company's accounting policies. All of the Company's audited financial statements are prepared in accordance with IFRS.

The Company's most significant accounting policies include the following:

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, BioNeutra North America and BioNeutra International. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Revenue Recognition

Revenue from the sales of products is recognized when title passes to the customer, which is generally when the product is shipped and reasonable assurance exists regarding the measurement and collection of the consideration received. Provisions for sales returns are based on historical experience.

Government grants are recorded as revenue when received or receivable and all of the relevant terms of the grant agreement have been met. The Company records a contingent payable when grant revenue with a repayment provision is received and management assesses that a repayment is likely.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present condition. Cost is determined on a weighted average basis.

Equipment

Equipment is stated at cost less accumulated depreciation. Equipment is depreciated over their estimated useful lives at the following rates and methods:

- Lab equipment 20% declining balance method
- Furniture and office equipment 20% declining balance method
- Leasehold improvements straight-line method over the remaining lease term

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets with a definite life are amortized over their legal lives using the straight line method, and are assessed for possible impairment whenever events or changes in circumstances indicate that impairment is possible. Intangible assets are amortized over their estimated useful lives at the following rates and methods:

- Patent straight-line method over 10 years

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of operations. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Foreign Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations.

The financial statements of the subsidiaries are translated from their functional currencies into Canadian dollars on consolidation as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each statement of operations are translated at the average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
(iii) Share capital for each statement of financial position presented are translated at historical rate; and
(iv) All resulting exchange differences are recognized in accumulated other comprehensive income.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of operations.

Classification and Measurement of Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized costs" as defined in IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets and financial liabilities at "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value with changes in fair value recognized in the statement of operations. Transaction costs are expensed when incurred. The Company has designated cash as "fair value through profit or loss".

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity", or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. "Held-to-maturity" financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. "Financial liabilities measured at amortized cost" are those financial liabilities that are not designated as "fair value through profit or loss" and that are not derivatives.

The Company has designated accounts receivable and amount receivable from related party as "loans and receivables" and accounts payable and accrued liabilities, dividend payable, amounts payable to related parties, amounts payable to shareholders, note payable, contingent amount payable and repayable government contribution as "financial liabilities measured at amortized cost".

Research and Development

Research and development expenditures are charged as an operating expense of the Company as incurred. Expenditures for development are capitalized and amortized only when the criteria for capitalization are met.

Share-based Compensation

The Company has a share-based compensation plan, which is described in Note 13 to the accompanying audited financial statements for the ten months ending December 13, 2014. Share-based compensation granted is accounted for using the fair value method. The fair value of the common share purchase option is calculated at the date of grant and is expensed over the vesting period of those options. The fair value for awards with graded vesting is recognized over the vesting period of the tranche. The Company uses the Black-Scholes model to calculate the fair value of stock options issued, which requires certain assumptions be made at the time the options are awarded, including the expected life of the option, the expected number of granted options that will vest, forfeitures and the expected future volatility of the stock. Any consideration received upon exercise of stock options is credited to share capital along with the amount previously recognized in share-based payment reserve.

Net Income per Common Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

Scientific Research and Economic Development Credits

Scientific research and development credits are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the credits will be received. Credits received are recorded as a reduction of the related current period expense.

New Accounting Polices

The following new standards, amendments and interpretations have been adopted for the Company's current fiscal year and have not had a material impact on the Company.

IAS 32 Financial instruments, presentation, effective for the Company on March 1, 2014. IAS 32 was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

IAS 36 Impairment of Assets was amended by the IASB in June 2014. Recoverable Amount Disclosures for Non-Financial Assets amendment modifies certain disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Standards Issued But Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after December 31, 2014. Many are not applicable or do not have a significant impact to the Company and have been excluded from below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to Hedge Accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.