Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Crailar Technologies Inc., Suite 305, 4420 Chatterton Way, Victoria, British Columbia, V8X 5J2, Telephone: 250-658-8582, and are also available electronically at www.sedar.com.*

AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS, AMENDING AND RESTATING THE PRELIMINARY SHORT FORM PROSPECTUS DATED APRIL 25, 2014

Non-Canadian Offering July 23, 2014

CRAILAR TECHNOLOGIES INC.

$●

● Units

This short form prospectus qualifies the distribution (the “Offering”) of ● units (the “Units”) of CRAiLAR Technologies Inc. (“CRAiLAR” or the “Company”) at a price of $● per Unit (the “Offering Price”), each Unit consists of one common share of the Company (each a “Common Share”) and one-half of one common share purchase warrant (each whole warrant being a “Warrant”). Each Warrant entitles the holder to purchase one common share (a “Warrant Share”) at an exercise price of $● per Warrant Share for a period of two years from the closing date of the offering. The Common Shares and the Warrants are immediately separable and will be issued separately. The Company has entered into an underwriting agreement (the “Underwriting Agreement”) dated July ●, 2014 with Roth Capital Partners, LLC (“Roth Capital Partners”), as the representative of the several underwriters, including Wunderlich Securities, Inc. (together with Roth Capital Partners, the “Underwriters”). The Offering Price was determined by negotiation between the Company and the Underwriters. The Company’s common shares are quoted on the OTC Markets Group Inc.’s OTCQB tier and on the TSX Venture Exchange (the “TSXV”) under the symbols “CRLRF” and “CL”, respectively. On July 22, 2014, the last reported sale price of the Company’s common shares was $0.796 per common share on the OTCQB, and CAD$0.83 per common share on the TSXV.

On April 25, 2014, the Company filed a Form S-1 registration statement in the United States with the United States Securities and Exchange Commission (the “SEC”) under the United States Securities Act of 1993, as amended (the “U.S. Securities Act”). The Company filed Amendment No. 1 to Form S-1 registration statement with the SEC on July 7, 2014. **This short form prospectus is being filed to qualify the distribution of the Units under the securities laws of Province of British Columbia, although none of the Units will be offered or sold pursuant to this short form prospectus in any province or territory of Canada.** Sales of Units to purchasers in Canada, if any, will be made pursuant to, and in reliance upon, exemptions from the prospectus requirements of Canadian securities laws. The purpose of filing this short form prospectus and qualifying the distribution of the Units is solely to comply with the requirements of British Columbia securities laws relating to the flowback of the Units into Canada, including possible resales of such Units through the facilities of the TSXV.

No underwriter or agent has been involved with the preparation of this short form prospectus or performed any review of this short form prospectus. See "Exemption from National Instrument 44-101".

Price: $● per Unit

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Company(2)
Per Unit	$●	$●	$●
Total	$●	$●	$●

(1) Pursuant to the Underwriting Agreement, the Company has agreed to pay to the Underwriters a fee equal to 7% of the gross proceeds of the Offering (the "Underwriters' Fee") (including in respect of any Over-Allotment Units (as defined herein) sold upon exercise of any portion of the Over-Allotment Option (as defined herein)).

(2) After deducting the Underwriters' Fee, but before deducting the expenses of the Offering, which are estimated to be $566,408, which, together with the Underwriters' Fee, will be paid out of the gross proceeds of the Offering.

(3) The Company has granted to the Underwriters an option (the "Over-Allotment Option") to purchase up to (i) an additional ● Units (the "Over-Allotment Units"), representing 15% of the number of Units sold under the Offering, (ii) ● additional Shares and/or (iii) additional Warrants to purchase up to ● Warrant Shares. The Over-Allotment Option is exercisable in whole or in part at any time up to 30 days after the date of closing of the Offering. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to the Company will be $● , $● and $● , respectively. A purchaser who acquires Over-Allotment Units that form part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Over-Allotment Units issuable upon any exercise of the Over-Allotment Option. See "Plan of Distribution".

References to "Units" in this short form prospectus shall include the Over-Allotment Units, as applicable in the context used. **The Company is offering the Units for sale in United States dollars.** Except as otherwise expressly noted, all references to currency in this short form prospectus are references to United States dollars.

The following table sets out the number of options or other compensation securities, if any, that have been issued or may be issued by the Company to the Underwriters:

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period or Acquisition Date	Exercise Price or Average Acquisition Price
Over-Allotment Option(1)	● Over-Allotment Units	Exercisable for a period of 30 days following the Closing Date	$● per Over-Allotment Unit

(1) This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Over-Allotment Units issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

Mr. Theodore Sanders, the Chief Financial Officer and Treasurer of the Company, and Mr. Kenneth Barker, the Chief Executive Officer and a director of the Company, reside outside of Canada. Each of Mr. Sanders and Mr. Barker has appointed McMillan LLP, located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, as his agent for service of process. It may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at such price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, subject to the limitations on discount market price in accordance with the policies of the TSXV, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the proceeds paid by the Underwriters to the Company. See "Plan of Distribution".

Subject to applicable laws and in connection with the Offering, the Underwriters, in the United States, may effect transactions which stabilize or maintain the market price of the common shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of Units, Common Shares, Warrants and Warrant Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Units, Common Shares, Warrants and Warrant Shares.

The head office of the Company is located at Suite 305, 4420 Chatterton Way, Victoria, British Columbia, V8X 5J2. The registered office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained or incorporated by reference in this short form prospectus constitute forward-looking statements within the meaning of Canadian and United States securities legislation. Forward-looking statements contained or incorporated by reference in this short form prospectus include without limitation statements regarding the use and benefits of the Company's technologies contained in the Company's Annual Report on Form 10-K; the Company's research and development plans and marketing strategies contained in the Company's Annual Report on Form 10-K; the Company's intended use of proceeds from the Offering, its business objectives and milestones, the Company's capital requirements and other risks related to the Company's business, its Common Shares and the Offering set forth under the heading "Risk Factors" and contained in the Company's Annual Report on Form 10-K under the heading "Risk Factors"; and the development plans for the Company's growth, trends in the results of the Company's development, anticipated development plans, operating expenses and the Company's anticipated capital requirements and capital resources contained in the Company's Management's Discussion and Analysis for the year ended December 28, 2013 and in the Company's Annual Report on Form 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations".

These statements relate to future events or the Company's future performance, business prospects or opportunities and product development. All such statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained or incorporated by reference herein should not be unduly relied upon. Actual results and developments may differ, and may differ materially, from those expressed or implied by the forward-looking statements contained or incorporated by reference in this short form prospectus. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statement, including but not limited to risks related to:

- the Company being unable to raise additional fund to finance the development of its products;
- the success of the Company being dependent upon the acceptance of its products and technologies by the public;
- the ability of the Company to retain key employees;
- government regulation having a negative impact on the business of the Company;
- the ability of the Company to protect and defend its proprietary technology;
- the consolidated financial statements of the Company having been prepared assuming the Company will continue on a going concern basis; and

such other risks detailed from time-to-time in the Company's quarterly filings, annual information forms, annual reports and annual filings with securities regulators and those which are discussed under the heading "Risk Factors".

These factors should be considered carefully and readers are cautioned not to place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of risk factors is not exhaustive and it is recommended that prospective investors consult the more complete discussion of risks and uncertainties facing the Company included in this short form prospectus. See "Risk Factors" for a more detailed discussion of these risks.

Key assumptions upon which the Company's forward-looking statements are based include the following:

- the Company will be able to secure additional financing to continue to develop its products;
- there will be significant market acceptance of the Company's technology and hemp products;
- the Company will be able to retain key employees and management personnel;
- government policies will not negatively impact the Company's business; and
- the Company will be able to protect its proprietary knowledge.

Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such statements were made, no assurances can be given as to future results, approvals or achievements. Such forward-looking statements have been made for the purpose of assisting investors in understanding the Company's business, financial and operational performance and plans and may not be appropriate for other purposes. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company disclaims any duty to update any of the forward-looking statements after the date of this short form prospectus to conform such statements to actual results or to changes in the Company's expectations except as otherwise required by applicable law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in each of the provinces of Canada are available at www.sedar.com and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- the annual report on Form 10-K of the Company dated March 27, 2014;
- the audited consolidated financial statements and the notes thereto for the years ended December 28, 2013 and 2012, together with the auditors' report thereon and the associated management's discussion and analysis of financial condition and operations for the year ended December 28, 2013;
- the unaudited consolidated interim financial statements on form 10-Q and the notes thereto for the quarter ended March 29, 2014, together with the associated management's discussion and analysis of financial condition and operations for the quarter ended March 29, 2014;
- the management information circular of the Company dated October 8, 2013 distributed in connection with the Company's annual and special meeting of shareholders held on November 6, 2013;
- the material change report of the Company dated June 25, 2014 announcing the appointment of Klaus Flock to the board of directors of the Company;
- the material change report of the Company dated June 3, 2014 announcing that Georgia-Pacific has exercised its option to extend its Material Supply Agreement;
- the material change report of the Company dated May 15, 2014 relating to the Company's first quarter results;
- the material change report of the Company dated May 12, 2014 announcing a conference call to discuss the Company's progress;

- the material change report of the Company dated April 24, 2014 announcing that the Company has retained Genesis Select Corporation as an investor relations consultant;

- the material change report of the Company dated March 28, 2014 relating to the granting of incentive stock options to certain directors, officers, employees and consultants;

- the material change report of the Company dated March 24, 2014 relating to the completion of a non-brokered private placement of units;

- the material change report of the Company dated March 21, 2014 announcing the Company's quarterly conference call;

- the material change report of the Company dated March 17, 2014 relating to a non-brokered offering of units;

- the material change report of the Company dated March 7, 2014 announcing that the CEO and CFO of the Company will be presenting at the 26th Annual ROTH Conference;

- the material change report of the Company dated February 24, 2014 relating to the resignation of Miljenko Horvat from the board of directors and the Company adding Hemp Fiber to its global product offering;

- the material change report of the Company dated February 11, 2014 relating to a favourable U.S. Customs classification and tariff ruling; and

- the material change report of the Company dated January 2, 2014 relating to the closing of a loan financing with IKEA and a private placement with Hydra Ventures B.V.

Material change reports (other than confidential reports), business acquisition reports, interim financial statements and all other documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Copies of the documents incorporated herein by reference may also be obtained on request without charge from the Corporate Secretary of CRAiLAR Technologies Inc., Suite 305, 4420 Chatterton Way, British Columbia, V8X 5J2, Telephone: 250-658-8582.

GENERAL MATTERS

In this short form prospectus, unless otherwise indicated or the context otherwise requires, the terms "CRAiLAR", "Company", "we", "us" and "our" are used to refer to CRAiLAR Technologies Inc. inclusive of our subsidiaries.

Unless otherwise indicated, all dollar amounts in this short form prospectus are expressed in United States dollars. Canadian dollars are stated as "CAD$". As of July 22, 2014, the Bank of Canada noon spot exchange rate for the purchase of one United States dollar using Canadian dollars was $1.0747 ($1.00 = US$0.9307). Our functional currency is the Canadian dollar; we translate our financial information to U.S. dollars as follows: (i) all assets and liabilities have been translated into U.S. dollars at the exchange rate in effect at the applicable fiscal period-end and (ii) revenues and expenses have been translated throughout the period at the weighted average exchange rate.

The audited financial statements of the Company for the year ended December 28, 2013, incorporated by reference in this short form prospectus, are reported in United States dollars and have been prepared in accordance with U.S GAAP.

The address of the Company's website is www.crailar.com. Information contained on the Company's website is not part of this short form prospectus nor is it incorporated by reference herein. Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. The Company has not authorized any person to provide different information.

This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Units in any jurisdiction where it is unlawful to do so. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Units.

THE COMPANY

Overview

We are focused on bringing sustainable bast fiber-based products to market that are environmentally friendly natural fiber alternatives with equivalent or superior performance characteristics to cotton, wood or fossil-fuel based fibers. Our business operations consist primarily of the production of our natural and proprietary CRAiLAR® Flax fibers targeted at the natural yarn and textile industries, as well as the deployment of our CRAiLAR® processing technologies in the cellulose pulp and composites industries. We believe that we offer two key opportunities for development:

- CRAiLAR® fibers (using flax, hemp or other sustainable bast fiber) for textiles (knit, woven and non-woven constructions) available in a variety of blends, textures, colors and applications; and

- CRAiLAR® technologies for processing cellulose-based fibers as a high grade dissolving pulp for use in the additives, ethers and performance apparel markets.

We hold the exclusive worldwide license to the patented CRAiLAR® technologies. We believe that fibers and yarns produced with the CRAiLAR® process will be competitively priced relative to current natural and synthetic fibers and have the benefit of being environmentally responsible. The CRAiLAR® patented process effectively cleans and polishes raw bast fiber, such as flax, hemp, kenaf and jute bast fibers, into fiber substantially equivalent to ginned cotton. It is our belief that the CRAiLAR® brand has the potential to become a recognized sustainable performance brand that is valued and demanded by the market.

We believe that entering into development and supply agreements with some of the world's largest fiber consuming companies is the best path to successful commercialization of a number of products incorporating our CRAiLAR® technologies. In execution of this strategy, we have entered into development and supply agreements with companies such as adidas AG, Georgia-Pacific, Hanesbrands Inc., IKEA, Lenzing and Levi Strauss & Co. Our agreements with certain customers contain category exclusivity clauses that require them to purchase, in the aggregate, approximately 7.4 million pounds of CRAiLAR® Flax fibers in 2014 and approximately 8.5 million pounds in 2015 (when multi-year requirements are averaged to an annual amount) in order to retain their exclusive rights.

Corporate Structure and Subsidiaries

We were incorporated under the laws of British Columbia, Canada, on October 6, 1998, under the name "Hemptown Clothing Inc." We changed our name to "Naturally Advanced Technologies Inc." effective March 21, 2006. We further changed our name to "Crailar Technologies, Inc." effective October 31, 2012. We have six wholly-owned subsidiaries: Crailar Inc., a Nevada corporation; Crailar Fiber Technologies Inc., a British Columbia corporation; HTnaturals Apparel Corp., a British Columbia corporation; 0697872 B.C. Ltd., a British Columbia corporation; and Hemptown USA, Inc., a Nevada corporation, and Crailar Europe NV, a Belgian corporation.

Industry

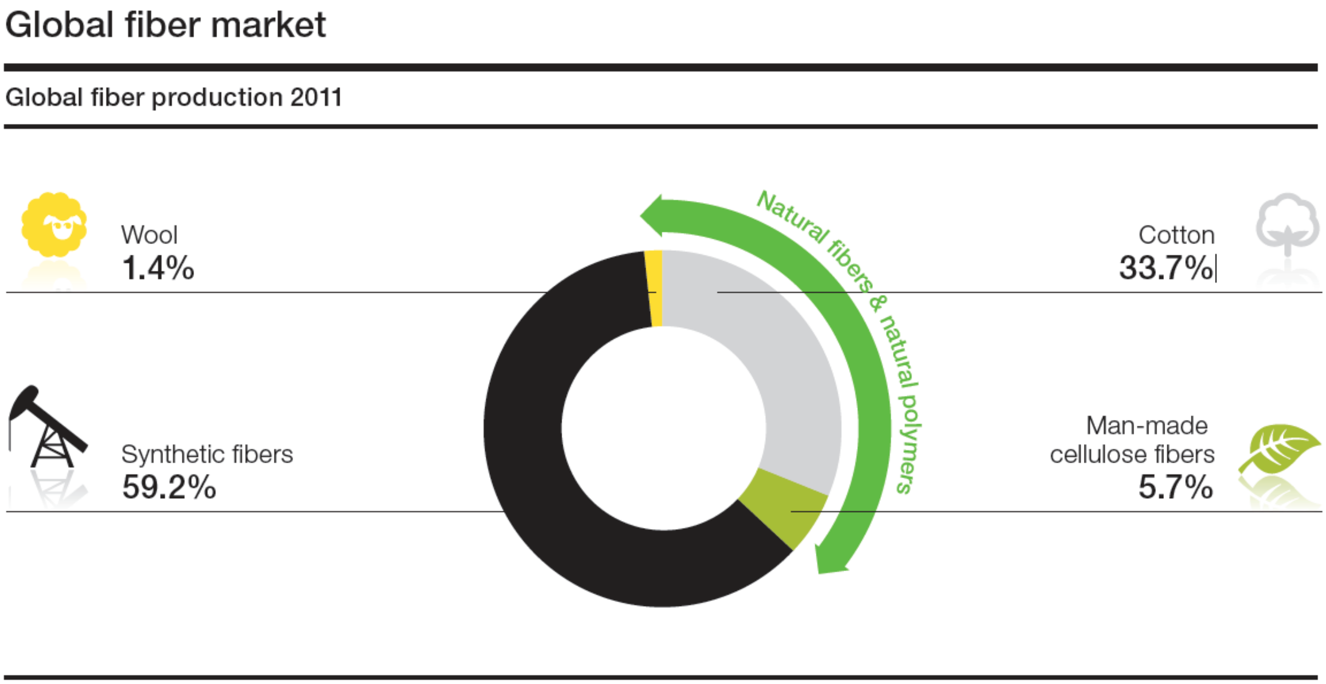
With the projected increase in the global population and continued development of market economies, we expect to see a rise in the need for textile fibers worldwide. According to Gherzi, a global management consulting company focused on the textile industry, the global demand for textile fibers is expected to exceed 100 million tons by 2020.

Gherzi estimates there were 81.0 million tons of fibers produced globally in 2011 and synthetic fibers (such as polyester) accounted for 59.2% of such fibers, cotton accounted for 33.7%, cellulose-based fibers (such as viscose and rayon) accounted for 5.7% and wool accounted for 1.4%. More generally, according to Gherzi, it is estimated that the demand for textile fibers is expanding approximately 3% per year, mainly due to the following two macroeconomic trends:

- *Ongoing population growth.* UNESCO expects the global population to rise from its current total of approximately 7 billion to 7.7 billion people in 2020 when global demand for fibers is expected to exceed 100 million tons.

- *Increase in prosperity*. Increasing prosperity generates additional demand, particularly in emerging economies as they catch up with western industrialized nations.

In addition, sustainability and climate change concerns have contributed to consumers increasingly preferring products manufactured with a minimal environmental impact and use of resources.



Source: Gherzi, The Cellulose Gap, February 2011; Lenzing estimates

While some of the increase in demand is likely to be filled by synthetic fibers, we believe that the consumer preference for natural fibers will continue to rise, as societal trends to live both sustainably and naturally increase. We believe that we have a unique opportunity to fill this shortfall through the production of CRAiLAR® fiber. With mill delivered cotton priced between $0.90 and $1.00 per pound, flax is a cost-effective raw material for fiber production. We expect our fiber will be cost competitive with other fibers currently available in the fiber industry once the Company has a fully integrated production facility in operation.

The CRAiLAR Solution

We hold the exclusive worldwide license to the patented CRAiLAR® technologies. The CRAiLAR® patented technologies and processes effectively clean and polish raw bast fiber, such as flax, hemp, kenaf and jute bast fibers, into fiber substantially equivalent to ginned cotton. This solution is clean, sustainable, and environmentally responsible. Bast fiber plants grow abundantly and, when compared with cotton, require 97% less water and substantially less herbicides, fertilizers and pesticides. In April 2012, the USDA designated CRAiLAR as a 100% BioPreferred® product. CRAiLAR® Flax fibers have been recently awarded a 'B' classification by the MADE-BY organization. This classification certifies that the benefits of CRAiLAR® Flax far outweigh that of polyester and conventional cotton (both ranked Less Sustainable). The MADE-BY organization and environmental benchmark supports brands and manufacturers in limiting the impact of its materials on the environment and advises them on sustainable alternatives. In this benchmark, the processing of a large range of materials from raw to yarn are compared in relation to emissions produced, their use of land space, pesticides, chemicals, water and energy.

The CRAiLAR® fiber technology was developed by the NRC. Under development since 2004, this technology is now in successful production with our global partners. We anticipate that CRAiLAR® Flax fibers will generally be used in union with cotton and all other mainstream fibers, which, when blended together, should result in a much better performing fabric than cotton or other mainstream fibers alone.

Products

CRAiLAR® Fiber

The CRAiLAR® fiber technology is a clean, sustainable, environmentally responsible process, which works with bast fiber feedstock. Bast fiber plants grow abundantly generally without excessive water, herbicide, fertilizer and pesticide use. As a result, CRAiLAR® was designated as a 100% BioPreferred® product by the USDA in April 2012. In December 2013, CRAiLAR® Flax fibers were awarded a 'B' classification by the MADE-BY organization, alongside and equal to organic cotton and Lenzing Tencel.

Relative to existing bast fiber processing methods, the CRAiLAR® fiber enzymatic process is significantly faster, produces highly consistent results, and is environmentally low impact. The resulting CRAiLAR® fibers have characteristics that are superior to traditionally processed bast fibers for textile applications. Because the CRAiLAR® fiber enzymatic processing is very effective at cleaning bast fiber, it can be spun on traditional cotton equipment at commercially viable speeds. CRAiLAR® Flax fibers can integrate seamlessly with cotton fibers and, when blended together, results in a superior performing fabric than cotton alone. When blended at 80% cotton and 20% CRAiLAR® fiber, the resulting fabric takes on many of the superior characteristics of CRAiLAR® Flax fibers, including enhanced moisture management and comfort, durability, superior dye uptake and garment shrinkage reduction.

CRAiLAR® Shive and Seed Products

We are already in the process of investigating by-product opportunities utilizing seed and shive. IKEA has confirmed shive suitably for use in particle board manufacturing for furnishings. We believe we have the potential ability to use the straw of the linseed flax crop, which is primarily cultivated for food and industrial applications. This straw would normally be discarded and/or burned following the seed harvest. Flax shive can be transformed into fuel pellets, animal bedding particle board, molded products and consumer goods packaging while the flax seed can be used for dietary supplements, linseed oil and feed for livestock. Making use of this waste by-product will only further enhance the CRAiLAR® Flax fiber sustainability rating and could increase potential revenues.

Our Competitive Strengths

We believe that the following strengths differentiate our company and create the foundation for continued sales and profitable growth:

Product Performance. All of our fiber products are designed to deliver superior performance. In apparel, CRAiLAR® Flax fibers will generally be blended with cotton, which should result in a better performing fabric than cotton alone. When blended at 80% cotton and 20% CRAiLAR® fibers, the resulting fabric takes on the many characteristics of CRAiLAR® Flax fibers. Key elements include:

- A fiber with wicking characteristics greater than unblended cotton and almost as good as high performance synthetic fibers, making fabrics breathable;
- Superior dye uptake resulting in a potential 10% dye reduction for same color specification;
- Reduced garment shrinkage of up to 50% from washing compared to unblended cotton; and
- Comparable feel of comfort to cotton.

Innovative Process. We offer high quality natural fibers that provide an alternative to cotton and high grade dissolving pulp users. We attribute our ability to develop superior products to a number of factors, including:

- Intellectual property and patents surrounding the CRAiLAR® process and technologies;

- Close collaboration with our customers to formulate innovative and technically advanced natural fabrics; and

- The capital costs involved in building a commercial CRAiLAR® fibers processing facility have been determined to be relatively modest and we believe we can utilize existing industry equipment.

Experienced Management Team. We have a proven and experienced senior management team. Our Chief Executive Officer, Ken Barker, has been with us since 2006 and has significant experience in the apparel industry. Many of the members of our senior management team have extensive experience in the textile industry and with leading consumer brands.

Our Business Strategy

We believe that our market presence and revenues will continue to expand with the continued development of our growers and customers, allowing the CRAiLAR® brand to be recognized, similar to ingredient brand successes such as Gore-Tex® and Tencel®. We are pursuing the following several growth strategies to continue to build our business:

Further Develop Our Customer Ecosystem. We have established a strong set of relationships with other organizations in our customer ecosystem to deliver superior natural fibers to our customers. We believe these customers will enable us to increase the speed of deployment and functionality of our fibers and offer a wider range of applications to our customers. We intend to support our customers in the growth of their products, as well as increase the number of suppliers who work with our customers. We understand that in order for new initiatives to be pulled from corporate concept to market viability, support from senior management of our customers is critical. We have established relationships with large apparel manufacturers and high grade dissolving pulp users such as Hanesbrands and Georgia Pacific. As we expand the commercialization of our fibers, we expect our customers will successfully integrate our CRAiLAR® Flax fiber within their product categories, but are also discover benefits and enhancements that are exclusive to their developments. This allows the CRAiLAR® brand to evolve and gain greater brand recognition while servicing both the consumer and customer needs. We believe that the development of customer relationships is an important strategy and that additional relationships with consumer brands will also be important for additional branding opportunities.

Expand Penetration and Consumer Base. We intend to increase the number of consumers who buy our products by using the co-branding opportunities provided by our customers, as they communicate our sustainability and performance benefits to their consumers. We plan to further this support with grassroots marketing, social media tools and industry advertising. We believe these efforts will educate consumers about our brand and the benefits of sustainable natural fibers, creating demand for our products and, ultimately, expand our consumer base. We will continue to collaborate with our customers to formulate innovative and technically advanced fibers. We believe that our products can provide significant value to both the consumer and industrial markets. We also believe that there is a substantial opportunity for us to continue to increase the size of our customer base across a broad range of industries, given the relatively high level of performance of our products. We intend to continue to invest aggressively in our direct and indirect sales and marketing capabilities to continue to acquire new customers.

Continue Innovation and Broaden Product Offering. Our customers' ability to deploy new products rapidly and cost-effectively will be central to our financial results. We intend to continue expanding the functionality of our products in the future. In the near term, we expect that our research and development investments will continue to be highly focused on:

- CRAiLAR® fibers (using flax, hemp or other sustainable bast fiber) for textiles (knit, woven and non-woven constructions) available in a variety of blends, textures, colors and applications; and

- CRAiLAR® technologies for processing of cellulose-based fibers as a high grade dissolving pulp for use in the additives, ethers and performance apparel markets.

Over the longer term, we intend to continue our investment in the development of new applications that address additional market opportunities, which may include composites manufacturing, medical, dental and feminine hygiene products. By collaborating with our customers and partners in these efforts, we intend to enable our customers to increase their performance capabilities through rapid and cost-effective deployments of products incorporating our fibers.

Expand Globally. We recognize that our patented technologies have global, multi-industry applications, and represent a significant opportunity for us. We plan to expand our sales capabilities internationally by expanding our sales force and by collaborating with strategic customers and partners around the world.

Stay True to Our Values. We are a focused business with long-standing core values. We need to rapidly and positively affect the international footprint of "dirtier" fibers and processes. We continue to strive to operate in a socially responsible and environmentally sustainable manner. We believe our sustainability and performance better cultivates brand loyalty and trust with customers and helps attract consumers. We plan to work in tandem with our customers to communicate the benefits of CRAiLAR® through co-branding, ingredient call-outs, co-op marketing efforts and in-store signage.

Invest in Infrastructure and Capabilities. We invest in our people, supply chain and systems to ensure that our business is scalable and profitable. We expect to add new employees to our sales, marketing, operations and finance teams as necessary to support our growth. Additionally, we continue to invest in our systems and technology, to create a platform for growth and to increase efficiency.

Sales and Marketing

We are pursuing a pull-through marketing model, which focuses on working directly with some of the leading consumer brands in a variety of target markets, including apparel, textiles and industrial products, to develop additional products incorporating our CRAiLAR® fibers. In this regard, we plan to leverage our partners' direct-to-consumer marketing programs to accelerate and expand the brand recognition for our proprietary fibers.

Strategic Relationships/Customer Developments

Because CRAiLAR® fibers can be an ingredient in a broad range of products, we believe that entering into development and supply agreements with large, successful consumer brands is the path to successful commercialization. We believe that these relationships will allow us to leverage the considerable branding and marketing talent of these brands to increase the power of the CRAiLAR® brand.

To grow our business and our brand, we have entered into a number of development and supply agreements including, among others:

- *adidas AG.* In December 2013, adidas AG took a shareholder position in CRAiLAR through their investment arm, Hydra Ventures B.V. As one of the largest athletic brands in the world, adidas is a driving force in innovation and performance for athletes and fashionistas alike. CRAiLAR is working in close tandem with adidas to further their development and execution of sustainable production practices, with a goal of reducing the brand's dependency on conventional cotton and petro-chemical fibers.

- *Cone Denim LLC*. On March 11, 2013, we entered into a Marketing and Development Agreement with Cone Denim LLC ("Cone") to market and develop the use of CRAiLAR® fiber in Cone's denim fabric line. We are working directly with Cone and its customer, Levi Strauss & Co., for the development of certain denim products using our CRAiLAR® Flax fiber. Subject to certain exceptions, CRAiLAR has agreed to not sell CRAiLAR® fiber to any other denim manufacturer through December 31, 2015 without providing Cone with a right of first refusal on any denim development opportunity. We believe our relationship with Cone and Levi Strauss should expand the demand for our fiber in the denim market.

- *Cotswold Industries Inc.* On February 12, 2013, we entered into a Development Agreement with Cotswold Industries Inc. ("Cotswold"). CRAiLAR and Cotswold will try to develop or create commercially viable pocketing, interlining and waist banding products containing our CRAiLAR® fibers.

- *Georgia Pacific Consumer Products LLC.* In September 2011, we entered into a three year CRAiLAR® fiber supply agreement with Georgia Pacific Consumer Products LLC, for the use of CRAiLAR® fiber in formed substrates for the industrial and personal care markets provided that Georgia Pacific continues to meet annual minimum purchase requirements. In May 2014, Georgia Pacific exercised its option to extend the agreement for an additional seven years through December 2021.

- *Hanesbrands Inc.* In January 2011, we announced a cooperative research project with Hanesbrands Inc. and the U.S. Department of Agriculture's Agricultural Research Service designed to cultivate and evaluate the viability of various flax strains for use in CRAiLAR® technology. In March 2011, we entered into a ten-year CRAiLAR® fiber supply agreement with Hanesbrands Inc. to commercialize our proprietary fibers. Hanesbrands may terminate the agreement with 180 days' advance notice to us, and we can terminate the agreement beginning January 1, 2022 with 180 days' advanced notice to Hanesbrands. During the term of the agreement, we may not supply our proprietary fibers to third parties for knit apparel applications.

- *IKEA.* In December 2013, we entered into a general supply agreement and development agreement with IKEA. The general supply agreement provides exclusivity in certain domestic textile categories as long as IKEA meets specified minimum order quantities. The agreement expires on December 31, 2016 but IKEA may extend the term up to two times for three years each by notifying us at least six months before the expiration of the then effective term. We have received orders and have begun flax fiber production at our European production facility.

- *Lenzing AG.* In April 2012, we entered into a joint development agreement with Lenzing, headquartered in Austria, and one of the world's largest suppliers of viscose, Modal and Tencel® to the apparel, non-woven and auto industries. CRAiLAR and Lenzing are jointly developing fiber solutions in the performance apparel industries for global athletic brands as well as fashion brands.

- *Target Corp.* In November 2011, we entered into an agreement with Target to evaluate the use of our CRAiLAR® Flax fiber in Target's domestic textiles category beginning December 1, 2011. In connection with this agreement, Target has used our CRAiLAR® Flax fiber in certain domestic textile products, including in a drapery line. While our agreement with Target has expired, we continue to work with Target in connection with the development of certain woven and knit apparel using our CRAiLAR® fibers.

We are currently evaluating additional opportunities for multiple product development and commercialization of our proprietary CRAiLAR® technology for environmentally sustainable bast fiber processing and production. Exclusive international licensing rights allow us to protect our investment to date in the development of CRAiLAR® while confidently moving forward in seeking appropriate development and commercialization relationships.

Plan of Operation

Production Plan

We believe that one of the keys to the successful adoption of CRAiLAR® fibers into the mainstream textile market is to scale up our in-house production capabilities. In December 2013 we acquired a European fiber dyeing facility with similar equipment used to produce CRAiLAR® Flax fiber. The acquisition was made pursuant to an Asset Purchase Agreement dated November 6, 2013, which was amended and restated on December 13, 2013. The new plant allowed us to accelerate our timeline for establishing a company-controlled CRAiLAR® enzyme processing capability. Production of CRAiLAR® fibers at this plant commenced in January 2014. We believe the plant has the capacity to produce over 280,000 pounds of CRAiLAR® Flax fiber per week with space to expand the capacity to over 800,000 pounds per week. Initially we relied on a third party processor to perform one step of the CRAiLAR® process, but we have purchased the equipment to perform this step and during the second quarter of 2014 we installed this equipment and overhauled existing equipment so that we now perform this step internally.

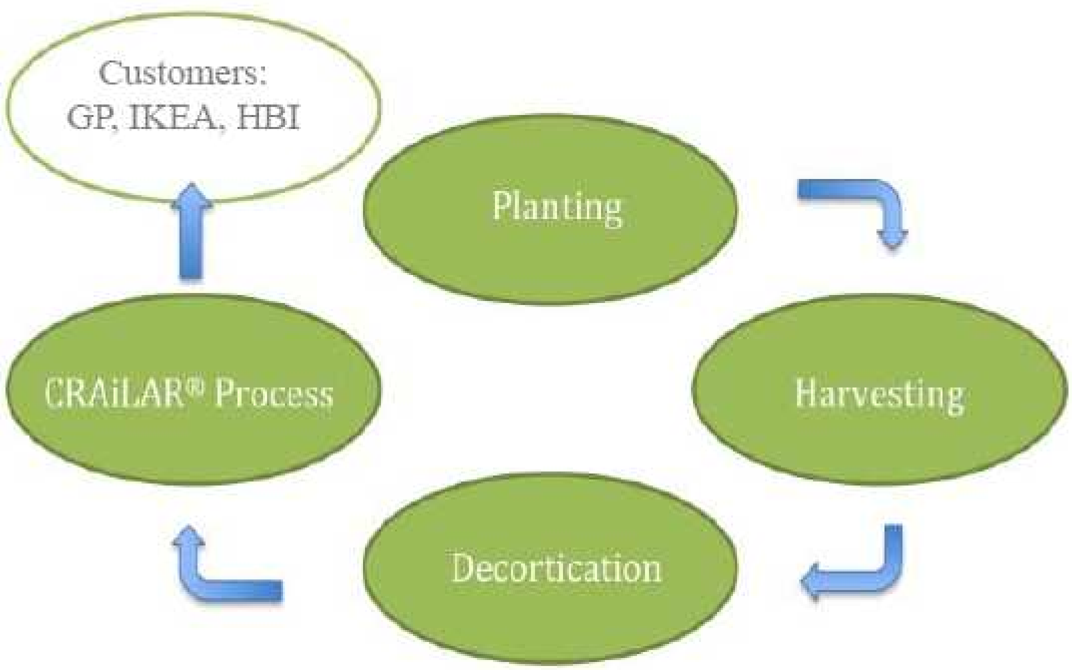
The facility is located in an area of flax growing excellence and offers an abundant supply of feedstock from a by-product of the linen industry. Purchasing the by-product of the linen industry has significant working capital advantages because it is bought as needed and is processed, shipped and billed shortly after receipt. This compares with straw purchased directly from farmers for approximately the same cost, but for which a year's supply of straw must be paid when harvested by the farmer. We have developed relationships with various European flax processors and brokers to purchase cleaned feedstock. We have also purchased equipment to clean the feedstock for CRAiLAR® processing that will allow us to buy partially cleaned fiber, providing access to additional sources of feedstock. We expect to have this equipment installed by the end of 2014.

We also believe that it is necessary to develop contracted acreage of flax to avoid disrupting supply and demand for by-product of the linen industry. We believe that there are opportunities to secure farm acreage dedicated to supplying our plants. This would require a decortication capability in these growing regions. Our suppliers also believe that additional farmers would be attracted to grow flax for CRAiLAR because the farming techniques are very simple and efficient compared with traditional linen flax farming techniques. Also, the retting requirements for the CRAiLAR® process are less stringent than for linen flax.

We commenced operations in Pamplico, South Carolina in January 2013. We encountered problems with the bale opening system and have suspended operations at that location until new equipment can be built and installed. We do not plan on planting flax in the U.S. this fall given that we have enough supply from the 2013 crop to last through 2014. Also, given our focus on production in Europe, we will have reduced operations in the U.S. until a strategic customer will support our presence in South Carolina. Some of the assets previously used in South Carolina may be redeployed to our European facility.

In addition to the installation of our full scale processing line, CRAiLAR continues to improve upon its patented enzymatic process thereby increasing efficiencies. In March 2012, we announced an improvement of our CRAiLAR® wet process time by 40%, thereby significantly increasing anticipated volume capabilities at planned facilities. The evaluation and resulting improvements were conducted internally in conjunction with research partners. The resulting changes encompass processes, as well as the utilization of industry standard equipment.

Production Model



Note on Plan of Operation

While we expect that profitable operations will be achieved in the future, there can be no assurance that revenue, margins, or profitability will increase, or be sufficient to support operations over the long term. We expect that we will need to raise additional capital to meet short and long-term operating requirements. We may also encounter business endeavors that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash. If we raise additional funds through the issuance of equity or convertible debt securities other than to current shareholders, the percentage ownership of current shareholders would be reduced, and such securities might have rights, preferences or privileges senior to our common shares. Additional financing may not be available upon acceptable terms, on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict business operations. We are continuing to pursue external financing alternatives to improve our working capital position and to grow the business to the greatest possible extent.

Raw Materials

Flax is the principal raw material used in the manufacture of our natural fibers products. Flax is a cost-effective raw material for fiber production because it is generally easy to grow with minimal use of herbicides and requires only regular rainfall for irrigation, which significantly reduces costs as compared to other natural fibers.

We have relationships with several European companies to supply feedstock to our European facility. Feedstock is a linen industry waste product or fiber unsuitable for linen due to fiber length. There are significant acres of flax under cultivation in Western Europe for the linen industry as well as in Eastern Europe and Russia, and we believe these regions represent a sufficient source of available feedstock. We have also identified other suitable Eastern European and North American growing regions should we decide to contract directly with farmers in those regions to grow flax. We have developed improved planting and harvesting techniques from our agronomic experience in North America, which should allow us to increase yield per acre and facilitate faster and more cost effective harvesting of flax.

Seasonality

Our operating results are subject to some variability due to seasonality and other factors. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand.

Collaboration and Research Agreements

National Research Council of Canada

In October 2007, we entered into a joint collaboration agreement with the NRC to continue to develop a patentable enzyme technology for the processing of hemp fibers. The agreement was for three years and initially expired on May 9, 2010. On February 19, 2010, we signed an amendment to the agreement to extend the term of the agreement to May 9, 2012. While this agreement has expired, we continue to work with the NRC on certain enhancements and additions to the NRC technology and negotiations are underway to continue our joint collaboration.

De Montfort University

In 2011, we entered into a research and development agreement with De Montfort University in Leicester, United Kingdom. De Montfort's textile division is renowned for their work on bast fibers such as flax and hemp and specializes in their textile applications. De Montfort has been working on process optimization and works closely with CRAiLAR's wet processing partners. In addition to processing improvements, De Montfort has experience with flax and hemp agronomics and has recommended various harvesting improvements that have been implemented into our CRAiLAR® technologies.

Intellectual Property

Under the CRAiLAR® technology platform, we have secured the exclusive worldwide licensing rights to the patented intellectual property arising from our collaborative research agreements with the NRC. The NRC license covers our proprietary processes and includes a license to two patents covering the extraction of hemp fibers and preparation of bast fibers. The patents have been issued or allowed in the U.S., Canada, China, Europe and certain other jurisdictions, and are based on applications filed under the Patent Cooperation Treaty. We pay an ongoing royalty of 3% of sales of products derived from the CRAiLAR® process to the NRC with a minimum annual payment set at $14,750 (CAD$15,000) per year. Once we have reached $44.5 million (CAD$50.0 million) in CRAiLAR® sales, the royalty percentage drops to 1.5%. The license expires upon the expiration of the last patent claim covered by the license, which is currently in December 2029, but may be terminated earlier by NRC upon our breach of the license agreement or in the event we become bankrupt or insolvent.

We believe that our intellectual property has substantial value and has contributed significantly to the success of our business. Our primary trademark is CRAiLAR®, which is registered with the U.S. Patent and Trademark Office, in Canada and in several other countries. We also rely on unpatented proprietary expertise, formulations, continuing innovation and other trade secrets to develop and maintain our competitive position.

CONSOLIDATED CAPITALIZATION

The following table sets forth our cash and cash equivalents, total debt, and capitalization as of March 29, 2014:

- on an actual basis; and
- on an as adjusted basis to reflect our receipt of the net proceeds from our sale of Units in the Offering at the Offering Price per Unit, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

You should read this table together with “Use of Proceeds”, “Description of Securities”, and our audited consolidated financial statements and related notes incorporated by reference in this short form prospectus.

	As of March 29, 2014	
	Actual	**As Adjusted**
	(In thousands, except share amounts)	
Cash and cash equivalents	$ 3,867	$ ●
Total debt	$ 25,850	$ ●
Shareholders’ deficit:		
Capital Shares		
Authorized: 100,000,000 common shares without par value Issued and outstanding: 50,679,097 common shares, actual; ● shares as adjusted	38,100	●
Subscription receivable	-	●
Additional paid-in capital	10,005	●
Accumulated other comprehensive income (loss)	1,165	●
Deficit	(11,485)	●
Deficit accumulated in the development stage	(38,513)	●
Total shareholders’ equity (deficit) and total capitalization	$ (728)	$ ●

A $0.10 increase or decrease in the Offering Price per Unit would increase or decrease our cash and cash equivalents by $939,000, would increase or decrease additional paid-in capital by $939,000, and would increase or decrease total shareholders' equity and total capitalization by $939,000, after deducting the Underwriters' Fee and the estimated offering expenses payable by us. Similarly, any increase or decrease in the number of Units that we sell in the Offering will increase or decrease our net proceeds by such increase or decrease, as applicable, multiplied by the Offering Price per Unit, less the Underwriters' Fee.

USE OF PROCEEDS

The Company expects to receive approximately $● million of net proceeds from the sale of the Units (or approximately $● million if the Over-Allotment Option is exercised in full) at the Offering Price, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company.

The Company intends to use the net proceeds of the Offering for the following purposes:

- $4.0 million to expand our European wet processing facility and to purchase of additional decortication equipment; and

- the remaining amount to fund working capital.

In addition, in accordance with the terms of the convertible debentures the Company issued on July 26, 2013 for gross proceeds of approximately $3.4 million (CAD$3.5 million) (the "July 2013 Debentures"), in the event that the Company completes one or more equity financings between July 26, 2013 and July 26, 2016 with gross proceeds of at least an aggregate of $19.4 million (CAD$20.0 million), the Company must, subject to providing no less than 60 days prior notice to each holder of the July 2013 Debentures, redeem the July 2013 Debentures in whole at face value plus all accrued and unpaid interest thereon. As at March 29, 2014, accrued interest of $158,029 (CAD$174,329) was included in accrued liabilities. At the holder's option, the July 2013 Debentures may be converted into common shares at any time up to the earlier of the maturity date (July 26, 2016) and the business day immediately preceding the date specified by the Company for redemption of the debentures. The conversion price is $1.21 (CAD$1.25) per share. Between July 26, 2013 and June 30, 2014, the Company has received gross proceeds of approximately $5.9 million (CAD$6.5 million) from three equity financing transactions in which it issued units consisting of shares and warrants. As of June 30, 2014, none of such warrants have been exercised. If all of those warrants are exercised, the Company would receive additional gross proceeds of approximately $5.0 million (CAD$5.5 million). If the gross proceeds that the Company receives in the Offering cause it to meet the $19.4 million (CAD$20.0 million) threshold that triggers the mandatory redemption provision in the July 2013 Debentures (or if subsequent warrant exercises from the three financings that closed between July 26, 2013 and June 30, 2014 or from the Offering cause it to meet such threshold), and if the holders of the July 2013 Debentures do not choose to convert their debentures, the Company will use approximately $3.5 million from the net proceeds of the Offering (and, if applicable, from the net proceeds of the exercise of such warrants) to redeem the July 2013 Debentures.

The proceeds of the July 2013 Debentures were used principally for working capital purposes. Robert Edmunds, a director of the Company holds an aggregate principal amount of $100,000 of July 2013 Debentures, of which the full amount of $100,000 is currently outstanding.

Pending their use, the Company anticipates that the net proceeds of the Offering will be invested in short-term, interest-bearing, investment-grade securities or maintained in interest-bearing accounts.

The allocation of the net proceeds of the Offering set forth above represents our best estimates based upon our current plans and assumptions regarding industry and general economic conditions and our future revenues and expenditures. If any of these factors change, it may be necessary or advisable for us to reallocate some of the proceeds within the above-described categories or to use portions for other purposes. Investors will be relying on the judgment of our management regarding application of the net proceeds of the Offering.

A $0.10 increase or decrease in the Offering Price per Unit would increase or decrease our net proceeds from the Offering by $939,000, after deducting the Underwriters' Fee and the estimated offering expenses payable by us. Similarly, any increase or decrease in the number of Units that we sell in the Offering will increase or decrease our net proceeds by such increase or decrease, as applicable, multiplied by the Offering Price per Unit, less the Underwriters' Fee.

The Company has had a negative cash flow from operations for the financial year ended December 28, 2013 of $8.1 million. The Company expects to fund negative cash flow from operations until positive cash flow from operations is achieved from cash on hand as at June 30, 2014 of $0.75 million. The Company does not anticipate using the proceeds from the Offering to fund negative cash flow from operations.

Business Objectives and Milestones

In December 2013, we purchased a fiber dyeing facility in Europe capable of producing over 280,000 pounds a week of CRAiLAR Flax fiber from clean flax feedstock once fully operational. During the first and second quarters of 2014 we have received written and verbal purchasing forecasts from our customers for 2015 that exceed the practical capacity of our European production facility. To satisfy customer demand, we intend to purchase and install $2.5 million of equipment in 2015 to double the capacity our European production facility to in excess of 560,000 pounds per week. To obtain feedstock to supply the European plant; broaden the grades of useable feedstock; and reduce the cost of feedstock; we intend to spend $1.5 million in the second half of 2014 through the end of 2015 to install equipment in Western and possibly Eastern Europe to decorticate flax straw and process partially cleaned tow fiber.

PLAN OF DISTRIBUTION

We have entered into the Underwriting Agreement with the Roth Capital Partners, LLC, as the representative of the several Underwriters with respect to the Offering. Subject to the terms and conditions of the Underwriting Agreement, we have agreed to sell to the Underwriters and the Underwriters have severally agreed to purchase the number of Units indicated next to their respective names in the following table:

Underwriter	Number of Units
Roth Capital Partners, LLC	●
Wunderlich Securities, Inc.	●
Total	●

The Underwriters are offering the Units in the United States subject to their acceptance of the securities from us and subject to prior sale. The Underwriting Agreement provides that the obligations of the Underwriters to pay for and accept delivery of the Units offered by this short form prospectus are subject to the approval of certain legal matters by its counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the securities, other than securities covered by the Over-Allotment Option described below, if they purchase any such securities.

The Underwriters have advised us that they propose to offer the Units to the public in the United States at the Offering Price and to selected dealers in the United States at the Offering Price less a selling concession not in excess of $● per Unit. The Underwriters also may allow, and selected dealers may re-allow, a concession not in excess of $● per Unit to brokers and dealers. After the public offering of the securities in the United States, the Underwriters may change the Offering Price and other selling terms. The Underwriters have informed us that they do not intend to confirm sales to any discretionary accounts without the prior approval of the customer.

We have granted the Underwriters the Over-Allotment Option, exercisable for 30 days from the date of this short form prospectus, to purchase up to (i) ● additional Units at a price, after the underwriting discount, of $● per Unit, (ii) up to ● additional Shares at a price, after the underwriting discount, of $● per Share, and/or (iii) Warrants to purchase up to ● Warrant Shares at a price, after the underwriting discount, of $● per Warrant to cover over-allotments, if any. The Underwriters may exercise the Over-Allotment Option solely for the purpose of covering over-allotments, if any, made in connection with the Offering. If the Underwriters exercise the Over-Allotment Option, each Underwriter will be obligated, subject to certain conditions, to purchase the number of additional Units, Shares and/or Warrants proportionate to that underwriter's initial purchase commitment for units as indicated in the table above.

The Company has agreed to pay to the Underwriters a commission of 7% per Unit. The Company has also agreed to reimburse the Underwriters for their reasonable out-of-pocket fees and expenses, including the fees and expenses of their legal counsel up to $275,000, whether or not the Offering is completed. All amounts payable to the Underwriters will be paid from the proceeds of the Offering.

On April 25, 2014, the Company filed a Form S-1 registration statement in the United States with the SEC under the U. S. Securities Act. The Company filed Amendment No. 1 to Form S-1 registration statement with the SEC on July 7, 2014. **This short form prospectus is being filed to qualify the distribution of the Units under the securities laws of Province of British Columbia, although none of the Units will be offered or sold pursuant to this short form prospectus in any province or territory of Canada.** Sales of Units to purchasers in Canada, if any, will be made pursuant to, and in reliance upon, exemptions from the prospectus requirements of Canadian securities laws. The purpose of filing this short form prospectus and qualifying the distribution of the Units is solely to comply with the requirements of British Columbia securities laws relating to the flowback of the Units into Canada, including possible resales of such Units through the facilities of the TSXV.

No underwriter or agent has been involved with the preparation of this short form prospectus or performed any review of this short form prospectus

The Company has agreed, subject to certain exceptions, not to offer, sell, contract to sell or otherwise issue any of our common shares or securities exchangeable or convertible into common shares for a period of 90 days following the date of this short form prospectus, without the prior written consent of Roth Capital Partners. The directors and officers of the Company have also agreed, subject to certain exceptions, not to, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any common shares or securities convertible into or exchangeable for common shares beneficially owned by them for 90 days following the date of this short form prospectus, without the prior written consent of Roth Capital Partners. If (i) during the last 17 days of the lock-up period, we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the lock-up period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the lock-up period, the lock-up period for the Company, and the persons who have entered into lock-up agreements in connection with this offering, will be extended until the expiration of the 18-day period beginning on the date of issuance of the earnings release or the occurrence of the material news or material event. Roth Capital Partners has no present intention to waive or shorten the lock-up period; however, the terms of the lock-up agreements may be waived or shortened at its discretion at any time and without public notice.

The Company has agreed, pursuant to the Underwriting Agreement, to indemnify the Underwriters against certain liabilities, including liabilities under the U.S. Securities Act in certain circumstances or to contribute to payments the Underwriters may have to make because of such liabilities.

In connection with the Offering, the Underwriters may, in the United States, engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the underlying security while the Offering is in progress. Over-allotment involves syndicate sales of Units in excess of the number of Units to be purchased by the Underwriters in the Offering, which create a syndicate short position. Syndicate covering transactions involve purchases of Units in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the Underwriters to reclaim a selling concession from a syndicate member when the securities originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These activities may stabilize, maintain or otherwise affect the market price of the common shares, and could cause the price of the security to be higher than the price that might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of a security to the extent it discourages resales of the security.

Neither we nor the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of shares of our common shares. In addition, neither we nor the Underwriters make any representation that the Underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

Holders of our common shares are entitled to vote at all meetings of shareholders, to receive dividends if, as and when declared by the directors and to participate pro rata in any distribution of property or assets upon our liquidation, winding-up or other dissolution. Our common shares carries no pre-emptive rights, conversion or exchange rights, redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of common shares to contribute additional capital and no restrictions on the issuance of additional securities by us. There are no restrictions on the repurchase or redemption of common shares by us except to the extent that any such repurchase or redemption would render us insolvent pursuant to the *Business Corporations Act* (British Columbia).

Units

We are offering to sell in this offering ● Units, consisting in the aggregate of ● Common Shares and Warrants to purchase ● Warrant Shares. In addition, we have granted to the Underwriters an option to purchase (i) an additional ● Units, consisting in the aggregate of ● Common Shares and Warrants to purchase ● Warrant Shares, (ii) additional Shares and/or (iii) additional Warrants to purchase up to ● Warrant Shares. The Common Shares and the Warrants are immediately separable and will be issued separately. No fractional Warrants will be issued. There will be no market for the Units or the Warrants.

Warrants to be Issued as Part of a Unit

In connection with the purchase of each Unit in this offering, each investor will receive one Common Share and one-half of one Warrant. Each whole Warrant entitles the registered holder to purchase one Warrant Share at an initial exercise price of $● per Warrant Share (which is 125% of the Offering Price). The Warrants may only be exercised for cash and are exercisable for a period of two years from the date of closing of the Offering. The exercise price and number of Warrant Shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including but not limited to in the event of a stock split, stock dividend, recapitalization, reorganization, merger or consolidation. The form of the Warrant agreement has been filed as an exhibit to Amendment No. 1 to the Company's Form S-1 registration statement filed with the SEC on July 7, 2014, and you should review a copy of the agreement for a complete description of the terms and conditions applicable to the Warrants.

The Warrants may be exercised upon surrender of the Warrant on or prior to the expiration date, with the exercise form included with the Warrant completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us or by wire transfer of immediately available funds to an account designated by us. The holders of Warrants do not have any voting rights or other rights or privileges of holders of common shares until they exercise their Warrants and receive the Warrant Shares. After issuance of Warrant Shares upon exercise of the Warrants, each holder will have the same rights with respect to such Warrant Shares as do all other holders of common shares.

No Warrants will be exercisable unless at the time of exercise a prospectus relating to the Warrant Shares is current and the common shares have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the Warrants. Under the terms of the Warrant agreement, we have agreed to meet these conditions and use our best efforts to maintain a current U.S. prospectus relating to Warrant Shares issuable upon exercise of the Warrants until the expiration of the Warrants. However, we cannot assure you that we will be able to do so, and if we do not maintain a current U.S. prospectus related to the Warrant Shares, holders will be unable to exercise their Warrants and we will not be required to settle any such Warrant exercise. If the U.S.

prospectus relating to the Warrant Shares is not current or if the common shares are not qualified or exempt from qualification in the jurisdictions in which the holders of the Warrants reside, we will not be required to net cash settle or cash settle the Warrant exercise, the Warrants may have no value, the market for the Warrants may be limited and the Warrants may expire worthless.

PRIOR SALES

For the 12-month period before the date of this short form prospectus, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Number of Securities Issued	Issue/Exercise Price
July 26, 2013	CAD$3,535,000 10% convertible secured debentures(1)	N/A
July 26, 2013	3,020,360 share purchase warrants(2)	$1.21
December 12, 2013	3,333,333 common shares and 3,333,333 share purchase warrants(3)	CAD$0.60
January 30, 2014	181,666 common shares	CAD$0.60 (deemed)
March 20, 2014	2,515,000 common shares and 1,257,500 share purchase warrants(4)	$1.25
March 20, 2014	176,400 common shares	$1.25
March 28, 2014	1,503,000 stock options	$1.36
April 24, 2014	100,000 stock options	$1.15
May 23, 2014	1,724 common shares	$2.70
June 2, 2014	742,355 common shares and 371,178 share purchase warrants(5)	$1.25
June 17, 2014	4,827 common shares	$2.68
June 23, 2014	35,000 stock options	$0.84

(1) The debentures may be converted into common shares at a conversion price, subject to adjustment in certain circumstances, of $2.00 per share being a conversion rate of approximately 500 shares for each $1,000 principal amount of debentures. The debentures will mature on July 26, 2016.
(2) Each warrant is exercisable for one common share until July 26, 2016.
(3) Each warrant is exercisable for one common share at an exercise price of CAD$0.70 per share until December 20, 2018.
(4) Each warrant is exercisable for one common share at an exercise price of $1.75 per share until March 20, 2016.
(5) Each warrant is exercisable for one common share at an exercise price of $1.75 per share until June 2, 2016

TRADING PRICE AND VOLUME

Our common shares have been quoted on the OTC Bulletin Board or the OTCQB tier of the OTC Markets Group, Inc. since March 21, 2006, initially under the symbol "NADVF" (until October 31, 2012) and now on the OTCQB under the symbol "CRLRF" (since November 1, 2012). The market for our common shares is limited, and can be volatile. The following table sets forth the high and low bid prices relating to the Company's common stock for the months indicated as quoted by the OTCQB. These quotations reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not reflect actual transactions.

	OTCQB Price Range ($)		
Month	**High**	**Low**	**Total Volume**
July 1 – 22, 2014	1.01	0.79	342,133
June 2014	1.09	0.78	431,514
May 2014	1.18	0.82	270,661
April 2014	1.30	1.00	458,207
March 2014	1.50	1.11	644,706
February 2014	1.65	0.76	885,951
January 2014	0.89	0.69	544,142

	OTCQB Price Range ($)		
Month	High	Low	Total Volume
December 2013	1.00	0.42	2,173,513
November 2013	0.77	0.48	735,435
October 2013	0.85	0.60	337,534
September 2013	0.91	0.50	802,050
August 2013	1.12	0.36	2,870,153
July 2013	1.27	0.99	283,734

In addition, our common shares have been listed on the TSXV since July 8, 2008, initially under the symbol “NAT” (until October 30, 2012) and now under the symbol “CL” (since October 31, 2012). The following table sets forth the high and low sales prices of the Company’s common stock for the months indicated as quoted by the TSXV.

	TSXV Price Range (CAD$)		
Month	High	Low	Total Volume
July 2 – 22, 2014	1.06	0.83	181,231
June 2014	1.20	0.86	199,942
May, 2014	1.29	0.89	199,801
April 2014	1.37	1.01	141,859
March 2014	1.67	1.34	324,631
February 2014	1.83	0.90	464,408
January 2014	0.99	0.73	254,750
December 2013	1.10	0.48	1,379,413
November 2013	0.80	0.50	389,762
October 2013	0.95	0.62	105,737
September 2013	0.88	0.55	402,442
August 2013	1.13	0.38	1,396,432
July 2013	1.30	1.03	190,986

On July 22, 2014, the last reported sale price of our common shares on the OTCQB was $0.796 per common share and the last reported sale price of our common shares on the TSXV was CAD$0.83 per common share.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus before purchasing our securities. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are the risks that we believe are material that are facing our company. Additional risks not currently known to us or that we currently deem immaterial may also impair our business, prospects, financial condition and results of operations. You could lose all or part of your investment due to any of these risks.

Risks Related to Our Business

We Have a History of Operating Losses and There Can Be No Assurance We Will Be Profitable in the Future.

We have a history of operating losses, expect to continue to incur losses, may never be profitable, and must be considered to be in the development stage. In addition, we have had negative cash flow from operations and may continue to have that for the foreseeable future. Further, we have been dependent on sales of our equity securities and debt financing to meet our cash requirements. We have incurred net losses totaling approximately $15.2 million for our fiscal year ended December 28, 2013 (“Fiscal 2013”) and $9.3 million for the year ended December 31, 2012 (“Fiscal 2012”). As of December 28, 2013, we had an accumulated deficit of $35.9 million, and as of our fiscal quarter ended March 29, 2014, we had an accumulated deficit of $38.5 million. As of December 28, 2013, we had cash and cash equivalents of $1.2 million and a working capital deficit of $3.4 million. As of our fiscal quarter ended March 29, 2014, we had cash and cash equivalents of $3.9 million and a working capital deficit of $0.9 million.

We Will Need to Raise Capital to Continue Our Operations.

Based upon our historical losses from operations, we anticipate we will require additional funding after the offering. If we cannot obtain capital through additional financings or otherwise, our ability to execute our development plans and achieve profitable operational levels will be greatly limited. Historically, we have funded our operations through the issuance of equity and convertible debentures and bank debt financing arrangements. We may not be able to obtain additional financing on favorable terms, on a timely basis, if at all. Our future cash flows and the availability of financing will be subject to a number of variables, including the demand for and market acceptance of CRAiLAR® technologies. Further, debt financing could lead to a diversion of cash flow to satisfy debt-servicing obligations and create restrictions on business operations. If we are unable to raise additional funds on acceptable terms on a timely basis, it would have a material adverse effect upon our operations.

Our Independent Registered Public Accounting Firm Has Expressed Doubt about Our Ability to Continue as a Going Concern.

Our audited financial statements have been prepared under the assumption that we will continue as a going concern. Our independent registered public accounting firm has issued a report that included an explanatory paragraph expressing substantial doubt as to our ability to continue as a going concern in light of our continuing net losses and anticipated future operating losses. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our ability to continue as a going concern is dependent upon our ability to obtain additional financings or other capital, reduce expenditures or attain further operating efficiencies and generate revenue. If adequate funds are not available to us when we need such funds, or if we are unable to generate sufficient revenues, we will be required to curtail our operations, which would, in turn, further raise substantial doubt about our ability to continue as a going concern.

We May Have Insufficient Earnings or Liquidity to Meet Our Future Debt Obligations.

We currently have outstanding convertible debentures and other debt (including a debt repayment obligation relating to our European production facility and a loan from IKEA) in the aggregate principal amount of $22.5 million. The maturity dates of such debt and convertible debentures range from 2016 to 2018. The interest payments on our outstanding debentures and loans are expected to be $1.9 million for each of fiscal 2014 and fiscal 2015. Our inability to generate cash flow sufficient to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, could materially and adversely affect our business. In addition, servicing these debt obligations will reduce the availability of our cash flow to fund working capital and capital expenditures to continue to expand our business and operations.

Our Success Is Dependent upon the Acceptance of CRAiLAR® Technology.

Our success depends upon our achieving significant market acceptance of our CRAiLAR® technology and products containing our CRAiLAR® fiber. Acceptance of our CRAiLAR® technology will depend on the success of our and our customers' promotional and marketing efforts and ability to attract customers. If such efforts fail to develop an awareness of and demand for our CRAiLAR® technology and products, we may never be able to generate any significant future revenues. Even if awareness of our CRAiLAR® technology increases, we may not be able to timely produce enough of our fibers to meet demand.

In addition, the acceptance of our CRAiLAR® technology may be adversely affected by decreases in the price of cotton. A decrease in the price of cotton could reduce our customers' desire for natural fiber alternatives, and thereby reduce the demand for and acceptance of our proprietary fibers, which could have a material adverse effect on our financial results.

We Are Dependent upon Third Parties to Increase the Awareness of and Demand for Our CRAiLAR® Fibers and Technology.

We are pursuing a pull-through marketing model, which focuses on working directly with some of the leading consumer brands in a variety of target markets to develop additional products incorporating our CRAiLAR® fibers. To date, we have not spent significant funds on marketing and promotional efforts, but we expect our customers to spend a significant amount on promotion, marketing and advertising of the benefits of our fibers and their products containing such fibers in the future, which we believe will increase awareness of our products. However, we do not currently have any customer agreements which require any significant expenditures to be made by the customer specifically to promote our brand or our products. In addition, we have little control over the actions of our customers with respect to the specific products and quality and number of such products that our customers sell or market that include our CRAiLAR® fibers, or the relative mix of our fibers in such products, all of which can have an effect on the perception and acceptance of our products. If our customers do not promote and market our products in the future as we expect or their products are not well-accepted in the market or do not effectively demonstrate the benefits of our products and technologies, the acceptance of our brand and products may suffer or we may be required to incur significant additional costs for promotion and marketing, which would adversely affect our financial results and condition.

An Early Termination of the NRC License Will Have a Material Adverse Effect on Our Business.

Our CRAiLAR® technologies are based on patents and other intellectual property licensed to us from the NRC. The license agreement expires upon the expiration of the last patent claim covered by the license, which is currently in December 2029, but may be terminated earlier by the NRC upon our breach of the license agreement or in the event we become bankrupt or insolvent. An early termination of the license agreement would have an immediate and material adverse effect on our business. In addition, due to the substantial dependence of our technologies on the patents held by the NRC, our business and financial results may be adversely affected if such patents are not adequately enforced or protected.

Delays or Disruptions in Production of Our Products Could Adversely Affect Our Financial Results.

Our business operations consist primarily of, and our revenues are dependent upon, the production and sale of our CRAiLAR® fibers. Currently, we have only one wet processing facility located in Europe for the production of our products. Any delays or disruptions in production at our European facility, whether due to mechanical issues, labor disputes or otherwise, could materially and adversely impact our sales and financial results. Such delays or disruptions that result in an inability to timely meet supply requirements could also have a negative effect on our relationships with our customers and the ultimate acceptance of our products. We may also experience unforeseen quality control issues as we adjust production to meet any changes in demand for our products. In addition, although we plan to make improvements to our decortication facility in South Carolina so that we can resume production at such facility, we cannot assure you that such improvements will be made or that we will ever have full processing capabilities at that facility.

A Commercial Market Must Be Found for Our By-products.

North American markets need to be found and developed for the by-products of our decortication process. Although several opportunities for the sale of our by-products are being explored, no contracts for the off take of our by-products have been signed as of the date of this prospectus, and we cannot assume that we will enter into any such contracts in the future or that such development will lead to usable products.

We May Be Unable to Retain Key Employees or Management Personnel.

The loss of any of our key officers and management personnel would have an adverse impact on our future development and could impair our ability to succeed. Our performance is substantially dependent upon the expertise of our Chief Executive Officer, Mr. Kenneth Barker, and our Chief Innovation Officer, Mr. Jason Finnis, and other key management personnel and our ability to continue to hire and retain such personnel. It may be difficult to find sufficiently qualified individuals to replace Messrs. Barker and Finnis or other key management personnel, including Mr. Ted Sanders, our Chief Financial Officer and Treasurer, Mr. Jay Nalbach, our Chief Marketing Officer, and Mr. Guy Prevost, our Corporate Controller and Compliance Officer, if we lose any one or more of them. The loss of any such persons could have a material adverse effect on our business, development, financial condition, and operating results. We do not maintain "key person" life insurance on our senior executive officers.

Our Officers and Directors May Be Subject to Conflicts of Interest.

Certain of our officers and directors may be subject to conflicts of interest. Such conflicts include deciding how much time to devote to our affairs, as well as what business opportunities should be presented to us. Certain of our directors devote part of their working time to other business endeavors, including consulting relationships with other entities, and have responsibilities to other entities. Because of these relationships, such directors may be subject to conflicts of interest. Currently, we have no policy in place to address such conflicts of interest. However, such directors have acknowledged their fiduciary duty to perform their duties in our best interest and those of our shareholders.

Government Regulation and Trade Restrictions Could Have a Negative Impact on Our Business.

Governments or special interest groups may attempt to protect existing industries through the use of duties, tariffs or public relations campaigns. These efforts may adversely affect interest in and demand for our CRAiLAR® technology.

Moreover, any negative changes to international treaties and regulations such as NAFTA and international trade agreements, and embargoes imposed by entities such as the World Trade Organization, which could result in a rise in trade quotas, duties, taxes and similar impositions or which could limit the countries from whom we can purchase component materials, or which could limit the countries where we or our customers might market and sell products created using CRAiLAR® technology, could have an adverse effect on our business.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States or any other jurisdiction may be changed, applied or interpreted in a manner which will fundamentally alter our ability to carry on business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitability.

If Our Competitors Misappropriate Unpatented Proprietary Know-How and Our Trade Secrets, It May Have a Material Adverse Effect on Our Business.

The loss of or inability to enforce our CRAiLAR® trademark and our proprietary know-how and trade secrets could adversely affect our business. We depend heavily on trade secrets and the design expertise of our employees. If any of our competitors copy or otherwise gains access to our trade secrets or develops similar technologies or processes independently, we would not be able to compete as effectively. The measures we take to protect our trade secrets and design expertise may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights. We may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources. In addition, notwithstanding the rights we have secured in our intellectual property, other persons may bring claims against us that we have infringed on their intellectual property rights or claims that our intellectual property right interests are not valid. Any claims against us, with or without merit, could be time consuming and costly to defend or litigate and therefore could have an adverse effect on our business and financial condition.

Currency Fluctuations May Cause Translation Gains and Losses.

A significant portion of our expenses are incurred in Canadian dollars and Euros. As a result, appreciation in the value of these currencies relative to the United States dollar could adversely affect our operating results. Foreign currency translation gains and losses arising from normal business operations are credited to or charged against other income for the period incurred. Fluctuations in the value of Canadian dollars and Euros relative to United States dollars may cause currency translation gains and losses.

We May Not Successfully Identify or Complete Future Acquisitions, Which Could Have a Material Adverse Effect on Our Business, Financial Condition, Results of Operations and Cash Flow.

We may seek to expand our business partly through acquisitions. However, if any reasonable acquisition candidates were to be identified, we cannot assure you that we will succeed in:

- completing acquisitions;
- integrating acquired operations into our existing operations; or
- expanding into new markets.

We also cannot assure you that any current or future acquisitions will not have an adverse effect on our operating results, particularly in the fiscal quarters immediately following their completion while we integrate the operations of the acquired business. The integration of newly acquired businesses or operations may prove to be more challenging, take more time than originally anticipated and result in significant additional costs and/or operational issues, all of which could adversely affect our financial condition and result of operations. Once integrated, acquired operations may not achieve levels of revenues, profitability or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Risks Related to Our Common Shares

Sales of a Substantial Number of Shares of Our Common Shares May Result in Significant Downward Pressure on the Price of Our Common Shares and Could Affect Your Ability to Realize the Current Trading Price of Our Common Shares.

As of June 30, 2014, there were 51,428,003 common shares issued and outstanding. Further, as of that date, there were outstanding options exercisable for 8,089,295 common shares at a weighted average exercise price of $1.70 per common share and warrants exercisable for 8,516,260 common shares at a weighted average exercise price of $1.24 per common share. We also completed three offerings of convertible debentures of $10.1 million (CAD$10.0 million), $4.9 million (CAD$5.0 million) and $3.4 million (CAD$3.5 million) on September 20, 2012, February 25, 2013 and July 26, 2013, respectively. Holders of the convertible debentures issued in September 2012 and February 2013 have the option to convert such notes at a price of $2.85 (CAD$2.90) per common share at any time prior to September 30, 2017. Holders of the convertible debentures issued in July 2013 have the option to convert such notes at a price of $1.21 (CAD$1.25) per common share at any time prior to July 26, 2016. Any sales in the public market of the common shares issuable upon exercise or conversion of the outstanding options, warrants and convertible debentures may dilute our shareholders' ownership percentages and could result in a decrease in the market value of our equity securities.

In addition, any significant downward pressure on the price of our common shares as certain shareholders sell their common shares may encourage short sales. Any such short sales could place further downward pressure on the price of our common shares.

The Trading Price of Our Common Shares on the OTCQB Has Been and May Continue to Fluctuate Significantly and Shareholders May Have Difficulty Reselling Their Common Shares.

During Fiscal 2013, our common shares have traded as low as $0.36 and as high as $2.63. In addition to volatility associated with OTCQB securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common shares:

- changes in the demand for flax and other eco-friendly products;
- market acceptance of our products and the products that incorporate our CRAiLAR® fiber;
- disappointing results from our or our customers' marketing and sales efforts;
- failure to meet our revenue or profit goals or operating budget;

- decline in demand for our common shares;
- downward revisions in securities analysts' estimates or changes in general market conditions;
- lack of funding generated for our operations and existing debt obligations;
- investor perception of our industry or our business prospects; and
- general economic trends.

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common shares. As a result, investors may be unable to sell their common shares at a fair price and you may lose all or part of your investment.

Additional Issuances of Equity Securities May Result in Dilution to Our Existing Shareholders.

Our Articles of Incorporation authorize the issuance of 100,000,000 common shares. The Board of Directors has the authority to issue additional common shares to provide additional financing in the future and the issuance of any such common shares may result in a reduction of the book value or market price of the outstanding common shares. If we do issue any such additional common shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. As a result of such dilution, if you acquire common shares, your proportionate ownership interest and voting power could be decreased. Further, any such issuances could result in a change of control.

We are not authorized to issue preferred shares. However, there are provisions of British Columbia law that permit a company's board of directors, without shareholder approval, to issue preferred shares with rights superior to the rights of the holders of common shares. As a result, preferred shares could be issued quickly and easily, adversely affecting the rights of holders of common shares and could be issued with terms calculated to delay or prevent a change in control or make removal of management more difficult. Although we currently do not have any authorized preferred shares, have no plans to create authorized preferred shares, and have no present plans to issue any preferred shares, any creation and issuance of preferred shares in the future could adversely affect the rights of the holders of common shares and reduce the value of the common shares.

Our Common Shares are Classified as a "Penny Stock" Under SEC Rules Which Limits the Market for Our Common Shares.

Because our shares are not traded on any national securities exchange in the U.S. and because the market price of the common shares is less than $5 per share, the common shares are classified as a "penny stock." Our shares have never traded above $5 per share. SEC Rule 15g-9 under the Exchange Act, imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination that investments in penny stocks are suitable for the customer and must make special disclosures to the customers concerning the risk of penny stocks. Many broker-dealers decline to participate in penny stock transactions because of the extra requirements imposed on penny stock transactions. Application of the penny stock rules to our common shares reduces the market liquidity of our shares, which in turn affects the ability of holders of our common shares to resell the shares they purchase, and they may not be able to resell at prices at or above the prices they paid.

A Decline in the Price of Our Common Shares Could Affect Our Ability to Raise Further Working Capital and Adversely Impact Our Operations.

A decline in the price of our common shares could result in a reduction in the liquidity of our common shares and a reduction in our ability to raise additional capital for our operations. Because our operations to date have been principally financed through the sale of equity securities, a decline in the price of our common shares could have an adverse effect upon our liquidity and our continued operations. A reduction in our ability to raise equity capital in the future would have a material adverse effect upon our business plan and operations, including our ability to continue our current operations. If our share price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Dale Matheson Carr-Hilton Labontea LLP, Chartered Accountants, Vancouver, British Columbia, who have advised that they are independent with respect to the Company within the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by McMillan LLP, on behalf of the Company. As at the date hereof, the partners and associates of McMillan LLP, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding common shares of the Company.

EXEMPTIONS

The Company applied for exemptive relief from the requirements of item 21.1 of Form 44-101F1, which requires the Company to provide a certificate of underwriter required under Part 5 of National Instrument 41-101. The requested relief is conditional upon there being: 1) no distribution under this short form prospectus to a purchaser resident in Canada; 2) no advertisement or solicitation in furtherance of a distribution under this short form prospectus in Canada; 3) an exemption from the dealer and underwriter registration requirements exists in British Columbia in connection with any trades of securities issued pursuant to this short form prospectus; and the securities distributed under this short form prospectus will be registered under a concurrent United States registration statement. Such relief will be evidenced by the issuance by the securities regulatory authority of a receipt for this short form prospectus.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, revisions of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated: July 23, 2014

This amended and restated short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of the province of British Columbia.

(Signed) Kenneth Barker Chief Executive Officer	*(Signed) Theodore Sanders* Chief Financial Officer

On Behalf of the Board of Directors

(Signed) Jason Finnis Director	*(Signed) Lesley Hayes* Director