

FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1. Name and Address of Company

1.1 Name and Address of Company

NATURALLY SPLENDID ENTERPRISES LTD.

2435 Beta Avenue
Burnaby, BC, V5C 5N1

1.2 Executive Officer

Charles E. Jenkins
Chief Financial Officer
(604) 685-6375

Item 2. Details of Acquisition

2.1 Nature of Business Acquired

Naturally Splendid Enterprises Ltd. (the "Company") completed its acquisition of 51 Class A shares POS BPC Manufacturing Corp. ("BPC"), being 51% of the issued shares of BPC, in accordance with the terms of a securities purchase agreement (the "Purchase Agreement") with POS Management Corp. ("POS Management") and POS Holdings Corp. ("POS").

BPC operates the 12,000 square foot facility (the "BPC Facility") containing approximately 60,000L of tankage, a fractional distillation system, evaporation equipment, spray drying equipment, a ring dryer and various other pieces of complementary & auxiliary equipment owned by BPC. It is capable of processing a variety of products including the suite of plant-based omega technologies such as HempOmega® (www.hempomega.com) that Naturally Splendid has licensed from Full Spectrum Laboratories. Additionally, the BPC Facility is designed to produce plant-based extracts, tinctures and dry ingredients for a variety of clients.

Also, the Company entered into a license agreement with POS Bio-Sciences, whereby the Company has the right to sell and market, on an exclusive basis, five (5) ingredients created using POS Bio-Sciences' technology and sell and market, on a non-exclusive basis, additional ingredients created using POS technologies. In consideration of the license, the Company has agreed to pay POS a 5% net revenue royalty. The ingredients included in this licensing arrangement consists of plant and marine extracts in the form of powder or oil and will be marketed through the Company's recently launched BC Ingredients (BCI) division (www.bcingredients.com).

2.2 Date of Acquisition

June 18, 2015.

2.3 Consideration

In consideration of the BPC shares, the Company paid CAD \$1,750,000 to POS Management and issued 367,647 common shares of the Company (the "Consideration Shares") to POS Management. The Consideration Shares will be subject to a restriction of trading for a period of 12 months from the date of issue. Further, the Company, POS

and BPC entered into a unanimous shareholders agreement that provides, among other things, equal board representation for each of the Company, which holds 51 Class A shares of BPC, and POS, which holds 49 Class A Shares of BPC.

2.4 Effect on Financial Position

The acquisition will allow the Company to manufacture its own suite of products including those products that utilize the Company's plant-based omega.

The Company does not presently have any plans or proposals for material changes in the Company's or BPC's affairs (corporate structure, personnel or management) that will have an impact on the financial performance and financial position of the Company.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

The acquisition was not with an informed person, associate or affiliate of the Company.

2.6 Date of Report

August 28, 2015.

Item 3. Financial Statements

The following financial statements attached as Schedule "A" hereto are included in this Business Acquisition Report:

- (1) Audited financial statements of BPC for the fiscal year ended March 31, 2015.

POS BPC MANUFACTURING CORP.

FINANCIAL STATEMENTS

MARCH 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **POS BPC Manufacturing Corp.** have been prepared by the Company's management in accordance with International Financial Reporting Standards and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The board of directors have reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.



Dale Kelly
CEO

INDEPENDENT AUDITORS' REPORT

To the Shareholder,
POS BPC Manufacturing Corp.

We have audited the accompanying financial statements of **POS BPC Manufacturing Corp.** which comprise the statement of financial position as at **March 31, 2015** and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

August 27, 2015
Saskatoon, Saskatchewan

Virtus Group LLP
Chartered Professional Accountants

POS BPC MANUFACTURING CORP.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(with comparative figures for 2014)

ASSETS			
		<u>2015</u>	<u>2014</u>
Current assets			
Cash	\$	18,820	\$ -
Accounts receivable		4,424	-
Prepaid expenses		31,747	-
		54,991	-
Due from related parties (Note 3)		105,831	100
Deferred income tax asset		50,400	-
Property, plant and equipment (Note 4)		313,306	-
Goodwill		100	-
		\$ 524,628	\$ 100
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$	347,651	\$ -
Long-term debt (Note 5)		309,000	-
		656,651	-
SHAREHOLDER'S EQUITY (CAPITAL DEFICIENCY)			
Capital stock (Note 6)		100	100
Retained earnings (deficit)		(132,123)	-
		(132,023)	100
		\$ 524,628	\$ 100
Commitment (Note 9)			

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

 Director

POS BPC MANUFACTURING CORP.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

	<u>2015</u>	<u>2014</u>
Retained earnings - beginning of year	\$ -	\$ -
Net loss	<u>(132,123)</u>	<u>-</u>
Retained earnings (deficit) - end of year	<u>\$ (132,123)</u>	<u>-</u>
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
 TOTAL EQUITY	 <u><u>\$ (132,123)</u></u>	 <u><u>\$ -</u></u>

See accompanying notes to the financial statements.

POS BPC MANUFACTURING CORP.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

	<u>2015</u>	<u>2014</u>
Revenue		
Contract services (Note 8)	\$ 907,874	\$ -
Facility use (Note 8)	288,000	-
	<u>1,195,874</u>	<u>-</u>
Cost of goods sold		
Direct labour	404,610	-
Materials and supplies	179,123	-
Utilities	144,501	-
	<u>728,234</u>	<u>-</u>
Gross profit	<u>467,640</u>	<u>-</u>
Expenses		
Amortization	19,277	-
Directors' fees	595	-
Insurance	6,567	-
Interest and bank charges	16,509	-
Management fees (Note 8)	124,800	-
Office and general	9,020	-
Professional fees	16,914	-
Rent	146,192	-
Repairs and maintenance	92,666	-
Wages and benefits	220,970	-
	<u>653,510</u>	<u>-</u>
Loss from operations	(185,870)	-
Other income		
Exchange gain	3,347	-
Loss before income taxes	(182,523)	-
Income taxes		
Deferred (recovery)	(50,400)	-
Net loss before other comprehensive income	<u>(132,123)</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>\$ (132,123)</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

POS BPC MANUFACTURING CORP.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015
(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

	<u>2015</u>	<u>2014</u>
Cash provided by (used in) operating activities:		
Net loss	\$ (132,123)	\$ -
Items not involving cash:		
- Amortization	19,277	-
- Provision for (recovery of) deferred income taxes	(50,400)	-
	<u>(163,246)</u>	<u>-</u>
Non-cash operating working capital (Note 7)	311,480	-
	<u>148,234</u>	<u>-</u>
Cash provided by (used in) investing activities:		
Increase in due from related parties	(105,731)	(100)
Additions to property, plant and equipment	(332,583)	-
Additions to goodwill	(100)	-
	<u>(438,414)</u>	<u>(100)</u>
Cash provided by (used in) financing activities:		
Proceeds from long-term debt	309,000	-
Capital stock issuance	-	100
	<u>309,000</u>	<u>100</u>
Increase in cash	18,820	-
Cash position - beginning of year	-	-
Cash position - end of year	\$ 18,820	\$ -

See accompanying notes to the financial statements.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

1. Nature of operations

POS BPC Manufacturing Corp. (the "Company") was incorporated under *The Business Corporations Act* in the province of Saskatchewan on December 31, 2013. The Company provides commercial scale custom processing services for biological materials.

2. Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with Part I of the CPA Canada Handbook - International Financial Reporting Standards (IFRS). The financial statements comply with IFRS adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on August 27, 2015.

The financial statements have been prepared on the historical cost basis, except for the following financial instruments which are measured at fair value: cash and cash equivalents.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

The Company follows a fair value hierarchy to categorize the inputs used to measure fair value into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly: and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. **Basis of preparation and statement of compliance** (continued)

Use of estimates and judgments

The preparation of the financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Areas involving the use of judgements and estimates include the allowance for doubtful accounts receivable, the valuation of the deferred income tax asset, the useful lives of property, plant and equipment, and the valuation of goodwill.

The following standards were adopted in the current fiscal year and are reflected in these financial statements:

- IAS 36 Financial Instruments - Presentation: The standard was amended to provide clarification and guidance around the netting of financial instruments.
- IFRIC 21 Levies: The interpretation provides guidance on when to recognize a liability for a levy imposed by the government that is made pursuant to legislation or regulation.

Financial instruments

All financial instruments are initially recognized at fair value plus transaction costs, except in the case of financial assets and liabilities classified as fair value through profit or loss. The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the instruments were acquired and the item's characteristics. The Company uses settlement date accounting for regular way contracts when recording financial asset transactions. All financial instruments are classified as fair value through profit or loss, loans and receivables, held to maturity, available for sale or other financial liabilities.

Fair value through profit or loss

Financial assets and financial liabilities are classified as fair value through profit or loss (FVTPL) when the instrument is held for trading or is designated as FVTPL by management.

A financial asset or financial liability is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term, or
 - On initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking, or
 - It is a derivative that is not designated (or designated but not effective) as a hedging instrument.
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POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. Basis of preparation and statement of compliance (continued)

A financial asset or financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- The financial asset or financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- It forms part of a contract containing one or more embedded derivatives.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized immediately in profit or loss.

The Company has classified the following financial assets and liabilities as FVTPL:

Cash

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income, calculated using the effective interest rate method, is recognized in profit or loss.

The Company has classified the following financial assets as loans and receivables:

Accounts receivable
Due from related parties

Held to maturity

Held to maturity financial assets are non-derivative assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold until the maturity date, and which are not designated as another category. Held to maturity financial assets are subsequently measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized in profit or loss.

The Company has not classified any financial assets as held to maturity.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. Basis of preparation and statement of compliance (continued)

Available for sale

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in any of the previous categories. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available for sale financial assets are subsequently measured at fair value.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Company becomes entitled to the dividend. Fair value changes are recognized in other comprehensive income until the investment is sold or impaired. Once sold or impaired, the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

The Company has not classified any financial assets as available for sale.

Other financial liabilities

Other financial liabilities are those liabilities which have not been classified as FVTPL. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, calculated using the effective interest rate method, is recognized in profit or loss.

The Company has classified the following financial liabilities as other financial liabilities:

Accounts payable and accrued liabilities
Long-term debt

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. The Company recognizes transaction costs as part of the carrying amount of all financial instruments except those classified as at FVTPL.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. Basis of preparation and statement of compliance (continued)

Financial asset impairment

The Company assesses financial assets, other than those recorded at FVTPL, for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the asset have been negatively affected.

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default or delinquency by the borrower, indications that the borrower will enter bankruptcy, disappearance of an active market for the security, prolonged decline in fair value of a security, or other observable data relating to a portfolio of assets such as adverse changes in the payment status of customers, or national or local economic conditions that correlate with defaults.

For certain categories of financial assets, such as loans, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. In assessing collective impairment, the Company considers historical experience on similar assets in similar economic conditions.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans, which is reduced through the use of allowance accounts. Impairment losses are recognized in profit or loss.

When available for sale financial assets are considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent recovery in the fair value of an impaired available for sale equity instrument is recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid securities with a maturity date within 90 days of the year end date. They are subject to insignificant risk of changes in fair value and are used to manage short term cash commitments.

Investments

Investments, if applicable, are initially measured at fair value. For investments not classified as FVTPL, incremental transaction costs are added to the initial measurement. Subsequent measurement is determined based on the classification of the instrument.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. Basis of preparation and statement of compliance (continued)

Impairment of tangible and intangible assets other than goodwill

At least annually, the Company reviews its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of a group of assets (or cash generating unit) to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use. In assessing value in use, the Company estimates future cash flows it expects to derive from the asset or group of assets along with the expectations about possible variations in the amount and timing of those cash flows. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or group of assets (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of the recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or group of assets in prior years. A reversal of an impairment loss is recognized in profit or loss.

Property, plant and equipment

Tangible capital assets are recorded at cost less applicable government grants and accumulated amortization. Amortization is provided over the estimated useful life of the assets at the following rates:

Buildings	40 years straightline
Equipment	15 % diminishing balance

Revenue recognition

Facility use revenue is recognized at the beginning of the month when it becomes due.

Contract services revenue is recognized in the period when all performance criteria are met in the execution of services and collection of the revenue related to the services is reasonably assured.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

2. **Basis of preparation and statement of compliance** (continued)

Deferred income taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and their tax bases. These amounts are measured using enacted tax rates and re-measured annually for the rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes, that are likely to be realized. Deferred income tax assets are re-assessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or re-assessment is recognized in the period of change. The temporary differences arise primarily from non-capital losses available for carryforward.

Future accounting and reporting changes

The Canadian Accounting Standards Board (AcSB) has issued new and amended IFRS standards under Part I of the CPA Canada Handbook which are not yet effective for the Company. None of the new or amended standards have been implemented in these financial statements. The significant changes to the standards are as follows:

- IAS 16 Property Plant and Equipment: The amended standard clarifies acceptable methods for depreciation and amortization. The effective adoption date is April 1, 2016.
- IAS 38 Intangible Assets: The amended standard clarifies acceptable methods for depreciation and amortization. The effective adoption date is April 1, 2016.
- IFRS 15 Revenue from Contracts with Customers: The new standard outlines the recognition of revenue from contracts with customers and will also result in enhanced disclosures. Revenue will be recognized as goods and services are transferred to customers, in amounts that reflect the consideration to which the Company is expected to be entitled. The effective adoption date is April 1, 2018.
- IFRS 9 Financial Instruments: The amended standard provides revised guidance on classification and measurement of financial assets, reducing the classification categories from four to two. The new categories will be amortized cost and fair value. The standard also provides new requirements regarding the expected credit loss model for calculating impairment and a substantially reformed approach to hedge accounting. The effective adoption date is April 1, 2018.

The Company has not determined the effect, if any, of the above standards on the financial statements.

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

3. Due from (to) related parties

	<u>2015</u>	<u>2014</u>
Due to POS Pilot Plant Corp. - a company subject to common control	\$ (474,132)	\$ -
Due from POS Management Corp. - a company subject to common control	602,563	-
Due from (to) POS Holdings Corp. - a company subject to common control	(22,600)	100
	<u>\$ 105,831</u>	<u>\$ 100</u>

The amounts are non-interest bearing and have no specific terms of repayment.

4. Property, plant and equipment

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings	\$ 235,279	\$ 5,644	\$ 229,635	\$ -
Equipment	97,304	13,633	83,671	-
	<u>\$ 332,583</u>	<u>\$ 19,277</u>	<u>\$ 313,306</u>	<u>\$ -</u>

5. Long-term debt

	<u>2015</u>	<u>2014</u>
Loan payable to Saskatchewan Opportunities Corporation in monthly payments of \$6,438 including interest at 0% beginning April 1, 2017. If at any time the term loan goes into default, interest will accrue at 5%. A general security agreement is pledged as security. Due March 2021.	\$ 309,000	\$ -

6. Capital stock

	<u>2015</u>	<u>2014</u>
Issued:		
- 100 Class "A" common shares, voting, participating	\$ 100	\$ 100

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

7. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	<u>2015</u>	<u>2014</u>
(Increase) decrease in current assets:		
Accounts receivable	\$ (4,424)	\$ -
Prepaid expenses	(31,747)	-
	(36,171)	-
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	347,651	-
	\$ 311,480	\$ -

8. Related party transactions

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member, or close family member of a member, of the key management personnel of the Company. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties.

	<u>2015</u>	<u>2014</u>
Facility use revenue:		
- POS Management Corporation, a company subject to common control	\$ 288,000	\$ -
Contract services revenue:		
- POS Management Corporation, a company subject to common control	\$ 907,874	-
Management fee expense:		
- POS Management Corporation, a company subject to common control	\$ 60,000	-
- 101141997 Saskatchewan Ltd., a company owned by a member of management	\$ 64,800	-
Remuneration:		
Management salaries and benefits	\$ 76,000	\$ -

POS BPC MANUFACTURING CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

(with comparative figures for the period from inception (December 31, 2013) to March 31, 2014)

9. Commitment

The Company leases premises under agreements requiring aggregate minimum payments over the next five years as follows:

2016	\$	71,500
2017		91,000
2018		110,500
2019		130,000
2020		140,000

10. Classification and fair value of financial instruments

The fair values of short term financial instruments including cash, accounts receivable, prepaid expenses, due from related parties, and accounts payable and accrued liabilities are approximately equal to their book values due to their short term nature.

The fair value of long-term debt has not been determined but is not considered to be significantly different from carrying value given its relatively short maturity.

11. Financial instrument risk management

The carrying amount of the financial assets recognized in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

The Company has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Company is exposed are:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company has adopted credit policies, which include the review of a new customer's credit history and financial position before extending credit and the regular review of their credit limits.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Company's financial obligations.
