FIRST GROWTH HOLDINGS LTD.

Management's Discussion and Analysis

For the Period Ended December 31, 2014

This management discussion and analysis is dated March 2, 2015. The following is a discussion of the financial condition and operations of First Growth Holdings Ltd. ("FGH", "First Growth" or the "Company") for the periods indicated and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended June 30, 2014.

The Company's consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. References to notes are to notes of the audited consolidated financial statements unless otherwise stated.

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Overview

First Growth Holdings Ltd., formerly known as "Vida Ventures Ltd.", ("FGH", "First Growth" or the "Company") was incorporated under the Canada Business Corporations Act on January 25, 2011.

The Company completed its Qualifying Transaction (as defined in Policy 2.4 – Capital Pool Companies of the TSX Venture Exchange (the "Exchange") with WineOnline Marketing Company Ltd. ("WineOnline" or "WOL") on November 18, 2013 through closing of a definitive share exchange agreement dated September 27, 2013 (the "Agreement"). Under the terms of the Agreement, First Growth acquired all of the issued and outstanding shares of WineOnline from WineOnline shareholders in exchange for the issuance of an aggregate of 14,700,000 common shares in the capital of First Growth (each, a "Share"). As a result of the completion of the Qualifying Transaction (the "Transaction"), WineOnline, incorporated under the Canada Business Corporations Act on June 23, 2008, is now the wholly-owned subsidiary of First Growth. First Growth's trading symbol is "FGH".

As a result of the Agreement, the shareholders of WineOnline acquired control of First Growth. The Transaction is considered a purchase of First Growth's operations by the shareholders of WineOnline and is accounted for as a reverse acquisition.

In connection with the Transaction, First Growth completed a non-brokered private placement financing (the "Concurrent Financing") of an aggregate of 20,067,666 subscription receipts (each, a "Subscription Receipt") at a price of $0.30 per Subscription Receipt for aggregate gross proceeds of $6,020,300. Upon closing of the Agreement, each Subscription Receipt was automatically exercised into one unit of First Growth (each a "Unit"), for no additional consideration. Each Unit consists of one Share of First Growth and one-half of one Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Share at a price of $0.45 for a period of two years from the date the Unit was issued.

The Transaction is recorded in accordance with guidance provided in IFRS 2 Share Based Payments and IFRS 3 Business Combinations. As First Growth did not qualify as a business according to the definition in IFRS 3, this

Transaction does not constitute a business combination; rather it is treated as an issuance of shares by WineOnline for the net assets of First Growth and the listing status. As a result of the Transaction, the Company now specializes in the distribution, marketing, and sale of grape wine products in Ontario.

In addition to WineOnline, the Company has three other wholly-owned subsidiaries, WineOnline Alberta Ltd. ("WOLA"), WineOnline Silva Bay Services Ltd. ("WOLSB"), and First Growth Holdings (Shanghai) Ltd. ("FGHC"). WOLA was incorporated under the Alberta Business Corporations Act on June 30, 2014, WOLSB under the British Columbia Business Corporations Act on April 17, 2014, and FGHC under People's Republic of China on June 6, 2014.

The head office, principal address and registered office of the Company are located at 1980-1075 W. Georgia St., Vancouver, British Columbia, V6E 3C9.

Changes in Management

In connection with the Transaction, certain directors and officers of the Company resigned and were appointed, such that the Company's Board of Directors now consists of the following: Han Liang Pan (Chairman of the Company's Board), Iat Wai Chan, also the CEO of the Company, Brian Debeck and Guo Hua Li.

Business Highlights

Highlights for the period ended December 31, 2014:

- The Company entered into a binding letter of intent ("LOI") dated September 11, 2014 with 1529719 Alberta Ltd., o/a CRAFT Beer Market ("CRAFT Beer") in respect of a proposed joint venture, whereby FGH and CRAFT Beer have agreed to jointly form a new company ("Newco") expected to be engaged in the business of establishing and operating CRAFT Beer Market restaurants in China.

- On August 8, 2014, WOL entered into a marketing agreement with SHOP.CA for SHOP.CA to provide an online marketing platform for the wines offered for sale by WineOnline under license.

- On December 1, 2014, the Company entered into an operating agreement (the "Agreement") with retail liquor store in British Columbia, Canada. Under the Agreement, the Company received the sole and exclusive right to operate the retail liquor store and launch the online operations in British Columbia and is entitled to full profits and bears full responsibility for the online operations.

- On December 17, 2014, FGH acquired a retail liquor store in Alberta, Canada. The store will be rebranded to WineOnline.ca, establishing a strong presence in Alberta. The acquisition represents a near doubling of revenue for Canada. Prior year's sales for the retail liquor store were approximately $1.78 million.

- WOL was moved up a tier at the LCBO Specialty Services Warehouse which allowed for WOL to have more wines in transit and in stock at all times which in turn allows WineOnline.ca to sell more product.

- Sales for the six months ended December 31, 2014 was $1,747,361 compared to the same period last year of $969,218. The increase in 80% of sales was mainly due to increased recognition of the Company through new marketing strategies, a significant sale to a national supermarket, and acquisition of a new retail liquor store in Alberta in December 2014.

Overall Performance

The following discussion of the Company's financial performance is based on the consolidated interim financial statements for the periods ended December 31, 2014 and 2013.

The statements of financial position as of December 31, 2014 indicate a cash and cash equivalents balance of $578,783 (2014 - $196,848), short-term investment of $2,970,588 (2014 - $4,101,757), accounts receivable of

$1,090,074 (2014 - $46,677), inventory balance of $1,307,938 (2014 - $856,080), prepaid expenses of $119,640 (2014 – $140,557) and total current assets of $6,067,023 (2014 - $5,341,919). The increase in total current assets was mainly due to overall increase in accounts receivable.

Current liabilities at December 31, 2014 total $3,359,075 (2014 - $1,239,605). Shareholders' equity is comprised of common shares of $10,333,534 (2014 - $10,284,534), reserves of $666,227 (2014 - $700,376), deficit of $8,329,973 (2014 - $6,882,596), and accumulated other comprehensive income of $11,169 (2014 – Nil).

Working capital, which is comprised of current assets less current liabilities, is $2,707,948 at December 31, 2014 compared to $4,102,314 at June 30, 2014. Management believes that there is working capital to maintain the Company's day-to-day operations.

During the period ended December 31, 2014, the Company reported a net loss of $1,618,498 ($0.03 basic and diluted loss per share) compared to a net loss of $5,132,128 ($0.22 basic and diluted loss per share) during the period ended December 31, 2013.

The weighted average number of common shares outstanding for the year ended December 31, 2014 was 51,184,097 (June 30, 2014 – 51,010,999).

Business Combination

On November 18, 2013, the Company completed the Transaction by acquiring all of the issued and outstanding common shares and Class A special shares of WineOnline in consideration for 14,700,000 common shares of FGH and acquired 1,470,000 options issued by Vida Venture Ltd. prior to the Transaction. FGH paid 843,333 shares as finder's fee in connection with the completion of the Transaction.

In connection with the Transaction, FGH completed a non-brokered private placement financing of an aggregate of 20,067,666 subscription receipts at a price of $0.30 per subscription receipt for aggregate gross proceeds of $6,020,300. Upon closing of the Agreement, each Subscription Receipt was automatically exercised into one unit of FGH, for no additional consideration. Each Unit consists of one share of FGH and one-half of one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional share at a price of $0.45 for a period of two years from the date the Unit was issued.

FGH paid an aggregate of $452,832 and issued an aggregate of 1,509,438 finders' warrants, each of which is exercisable into one share at a price of $0.45 per share until two years from the dates of closing of the respective tranches, to certain finders in connection with the completion of the Concurrent Financing.

The following summarizes the reverse takeover of WineOnline by the Company and FGH's assets acquired and its liabilities assumed:

Net asset acquired		
Cash and cash equivalents	$	560,532
Short-term investments		40,214
Prepaids		2,257
Sales tax receivables		20,289
Note receivables		25,000
Accounts payable and accrued liabilities		(91,045)
	$	557,246
Consideration paid:		
Share capital	$	4,923,427
Listing cost		(4,366,181)
	$	557,246

As the Transaction was not considered a business combination, the excess of the fair value of the consideration over the net assets of $4,366,181, as well as a $253,000 finder's fee relating to the issuance of 843,333 finder's shares are included as listing expense on the consolidated statements of comprehensive loss totally $4,619,181 (refer to Note 3 of the annual June 30, 2014 consolidated financial statements for details).

On December 1, 2014 the Company entered into an operating agreement (the "Agreement") with retail liquor store in British Columbia, Canada. The Company entered into the Agreement primarily to gain the sole and exclusive right to operate a retail liquor store in British Columbia, which will allow the Company to launch an online operation in British Columbia. In consideration, the owner of the retail liquor store shall receive a fee and 200,000 commons shares of the Company, and a performance fee based on operations. The performance fee consists of a set percentage of the net operating income of the liquor store and also beginning 12 months after the first full year of online operations in British Columbia, a percentage of royalty of gross revenue from the online sales operation.

According to the Agreement, the Company obtained the power and rights to operate the retail liquor store and the rights to sell liquor online in British Columbia. All business and financial risks, operational expenses and gains and losses are the Company's responsibility; therefore, control is achieved and the retail liquor store has been accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets acquired at the effective date of the Agreement.

The purchase prices allocated to the assets acquired in the acquisition as follows:

		Total
Purchase price:		
Cash	$	135,274
Common shares		47,000
Net assets acquired:		
Inventory		65,274
Intangible asset		117,000
	$	182,274

Since the operation arrangement, the British Columbia retail liquor store acquired had sales of $22,611 and a loss of $19,119 during the period ended December 31, 2014. If the operation arrangement had occurred on July 1, 2014, the sales would have been $222,529 and earnings before taxes for the same period would have been $15,763. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition dates would have been the same if the acquisition had occurred on July 1, 2014. The intangible assets acquired are expected to be deductible for tax purposes.

ii) On December 17, 2014 the Company acquired a retail liquor store in Alberta, Canada. The Alberta retail liquor store was primarily acquired in an area where the Company had no presence and to gain access to a favorable location. The business acquisition has been accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets acquired at the effective date of the purchase.

The purchase prices allocated to the assets acquired in the acquisition as follows:

		Total
Purchase price:		
Cash	$	438,115
Net assets acquired:		
Inventory		213,115
Goodwill		225,000
	$	438,115

Goodwill acquired is attributable to the acquired geographic location, customer base and synergies created between the existing businesses of the Company. The goodwill acquired is expected to be deductible for tax purposes.

Since the acquisition, the Alberta retail liquor store acquired had sales of $97,599 and loss before taxes, of $14,957 during the period ended December 31, 2014. If the acquisition had occurred on July 1, 2014, management estimates that sales would have been $893,263 and earnings before taxes for the same period would have been $33,619. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition dates would have been the same if the acquisition had occurred on July 1, 2014.

The purchase price allocations for these acquisitions are preliminary and adjustments to the allocations may occur as a result of obtaining more information regarding asset valuations.

Current Quarter

Revenues

Revenue for the three-month period ended December 31, 2014 was $1,271,149 compared to $533,831 in the three-month period ended December 31, 2013. The Company's revenue increased by 138% compared to the same period last year. This was mainly due to the overall increase in sales during the period from the increased recognition of the Company from marketing and promotion, $97,599 in sales from the newly acquired store in Alberta, $22,611 in sales from the British Columbia liquor store, and a significant sale made to a national supermarket.

Gross Margin

The gross margin, as a percentage of revenue, was 18% for the three-month period ended December 31, 2014, which remained the same as the three-month period ended December 31, 2013. Overall, the gross margin decreased slightly compared to the six months ended December 31, 2013 and also for the three months ended December 31, 2012. This is mainly due to the continued depreciation of Canadian dollars and during the period the Company made a significant sale to a national supermarket, which resulted in a gross margin lower than average hence the gross margin remained at 18% this quarter.

Cost of Sales

Cost of sales was $1,046,427 for the three-month period ended December 31, 2014, compared to $439,246 for the three-month period ended December 31, 2013. Cost of sales included product cost, direct costs associated provision for inventory losses. The increase of $607,181 is relative to the increase in sales.

Expenses

Operating expenses were $1,300,728 for the three-month period ended December 31, 2014 compared to $5,189,113 for the three-month period ended December 31, 2013. Operating expenses for the three-month period include listing cost of $Nil (December 31, 2013 – $4,619,181), advisory fee of $Nil (December 31, 2013 – $35,460), consulting fees of $374,669 (December 31, 2013 – $84,051), filing fees of $6,885 (December 31, 2013 – $1,919), marketing and promotion of $190,424 (December 31, 2013 – $40,395), meals and travel expenses of $106,748 (December 31, 2013 – $38,415), merchant fees of $21,395 (December 31, 2013 – $11,263), office and general expenses of $217,611 (December 31, 2013 – $21,883), payroll of $167,627 (December 31, 2013 – $81,489), professional fees of $91,279 (December 31, 2013 – $243,256), technical support of $38,544 (December 31, 2013 – $7,500), and transfer agent fees of $5,140 (December 31, 2013 – $4,301).

Overall, operating expenses decreased by $3,888,385 compared to December 31, 2013. The decrease was primarily attributed to the listing cost associated with the reverse acquisition of the Company and WineOnline in 2013. The $4,619,181 listing cost in Q2 2014 was a non-cash expense. As the Transaction was not considered a business combination, the excess of the fair value of the consideration over the net assets of $4,366,181, as well as a $253,000 finder's fee relating to the issuance of 843,333 finder's shares are included as listing expense on the consolidated statements of comprehensive loss totally $4,619,181 (refer to Business Combination Note section above and Note 3 of the interim December 31, 2014 financial statements for details).

Excluding the listing cost, total operating expenses increased by $730,796 for the three months ended December 31, 2014 compared to the three months ended December 31, 2013. The cause of the increase is due to several items. Payroll and consulting fees increased because additional help was required for the office and various consultants are required to develop the Company's plan. Office and general increased significantly compared to Q2 2014 mainly due to the increase expenditures related to day-to-day operation of a public company and additional expenses for the newly acquired Alberta retail store in December 2014. Marketing and promotion fees increased during the period because of the increased marketing during the Christmas season and new marketing strategies. Lastly, $80,406 (2013 – Nil) in amortization expenses, which is a non-cash item.

Net Loss

Net loss was $1,107,956 for the three-month period ended December 31, 2014 compared to a net loss of $5,098,353 for the three-month period ended December 31, 2013. The net loss was mainly due to consulting, payroll, office and general, amortization, meals and travel, technical support, marketing and promotion, and foreign exchange loss of $53,418.

<u>Year-to-Date</u>

Revenues

Revenue for the period ended December 31, 2014 was $1,747,361 compared to $969,218 for the period ended December 31, 2013. The increase of $778,143 or 80% in revenue was mainly due to a significant sale to a national supermarket during the quarter, $97,599 in sales from the newly acquired store in Alberta, $22,611 in sales from the British Columbia liquor store, increase in public recognition of the Company from new marketing strategies, overall increase in demand for wine, the Company's superior customer service continues to be recognized by the public, and word of mouth continues to help the Company expand its business.

Gross Margin

The gross margin, as a percentage of revenue, was 21% for the period ended December 31, 2014, which decreased from the period ended December 31, 2013 of 23%. The decrease in gross margin is mainly due to a large sale to a national supermarket which the Company received a lower gross margin than an average sale. Also appreciation of Euro against Canadian dollars and most of the wines sold by WOL are from Europe. During the period ended December 31, 2014 Euro appreciated by about 2% compared to same period prior year hence decreasing the gross margin for the period.

Cost of Sales

Cost of sales was $1,378,644 for the period ended December 31, 2014, compared to $746,318 for the period ended December 31, 2013. Cost of sales included product cost, direct costs associated with delivering the services, commissions, outbound and inbound freight costs and provision for inventory losses. The increase of $632,326 was mainly due to the higher volume of sales, the appreciation of Euro against the Canadian dollars, and the large sale to a national supermarket.

Expenses

Operating expenses were $1,961,409, for the period ended December 31, 2014 compared to $5,341,954 for the period ended December 31, 2013. Expenses for the period include consulting fees of $571,188 (December 31, 2013 – $104,778), filing fees of $42,297 (December 31, 2013 – $1,919), marketing and promotion of $254,180 (December 31, 2013 – $43,863), meals and travel expenses of $158,323 (December 31, 2013 – $53,174), merchant fees of $33,960 (December 31, 2013 – $20,827), office and general expenses of $253,565 (December 31, 2013 – $40,246), payroll of $329,532 (December 31, 2013 – $106,071), professional fees of $182,339 (December 31, 2013 – $298,634), share-based payments of $2,901 (December 31, 2013 – $Nil), technical support of $45,844 (December 31, 2013 – $13,500), and transfer agent fees of $6,874 (December 31, 2013 – $4,301).

Overall, operating expenses decreased by $3,380,545 compared to December 31, 2013. The decrease was mainly due to $4,619,181 in listing cost incurred in relation to the Transaction in 2013.

Excluding the non-cash items such as listing cost and amortization expenses, total operating expenses increased by $1,238,636 for the six months ended December 31, 2014 compared to $499,873 for the six months ended December 31, 2013. The increase is attributed to payroll and consulting fees due to the increase in employee salaries since additional help was required for the development of each subsidiary and also for head office. In addition, starting in January 2014, the payroll expense includes salaries paid to a director. Consulting fees consist of fees paid to management and also advisory fees paid to an advisory company for financial management services. Marketing and promotion fees increased during the period due to increase in wine tasting events hosted by the Company and the start of marketing and promotional campaigns in China in Q2 2015. Meal and travel expenses increased during the period due to the increase in management travel for marketing events. Office and general expenses increased due increase expenditures related to day-to-day operation of a public company and additional expenses for the newly acquired Alberta retail store in December 2014.

Net Loss

Net loss was $1,618,498 for the period ended December 31, 2014 compared to a net loss of $5,132,128 for the period ended December 31, 2013. The decrease in net loss was mainly due to the $4,619,181 of listing cost in relation to the Transaction in 2013, which is offset by the increase in marketing and promotion fee, office and general, amortization, consulting fees, meals and travel, technical support and payroll.

Summary of Quarterly Results

The following table presents unaudited selected financial information for each of the last eight quarters for fiscal year 2014 and 2013:

	Dec. 31, 2014	**Sept. 30, 2014**	**June 30, 2014**	**March 31, 2014**	**Dec. 31, 2013**	**Sept. 30, 2013**	**June 30, 2013**	**March 31, 2013**
Revenue	1,271,149	476,212	479,090	415,805	$533,831	$435,387	$406,317	$428,603
Net Income (Loss)	(1,107,956)	(510,541)	(532,941)	(381,135)	(5,098,353)	($33,775)	(171,101)	2,600

Basic and diluted earnings (loss) per share	(0.02)	(0.01)	(0.01)	(0.01)	(0.16)	(0.00)	(0.01)	0.00

Financing Activities

On November 18, 2013, the Company completed its private placement of an aggregate of 20,067,666 Units at a price of $0.30 per Unit for aggregate gross proceeds of $6,020,300. Each Unit consists of one Share of First Growth and one-half of one Share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional Share at a price of $0.45 for a period of two years from the date the Unit was issued.

FGH paid an aggregate of $452,832 and issued an aggregate of 1,509,438 finders' warrants, each of which is exercisable into one share at a price of $0.45 per share until two years from the dates of closing of the private placement. The warrants were valued at fair value of $164,818.

The Company paid 843,333 shares at a price of $0.30 per share as a finder's fee in connection with the completion of the Transaction.

The Company issued 100,000 shares at a price of $0.30 per share and issued 50,000 warrants as sponsorship fee for the Transaction. Each warrant entitles the holder to purchase one additional share at a price of $0.45 for a period of two years from the date the warrant was issued.

Liquidity

At December 31, 2014, First Growth had cash and cash equivalents of $578,783, compared to cash and cash equivalents of $196,848 at June 30, 2014. First Growth had short-term investment of $2,970,588, compared to $4,101,757 at June 30, 2014. WineOnline became a wholly-owned subsidiary of the Company through the completion of the Transaction on November 18, 2013. As part of the completion of the Transaction, The Company completed a non-brokered private of a gross proceed of $6,020,300. Management's current strategy is to focus on expanding to China and other provinces in Canada's market share of the wine industry, at the same time to exercise careful cost control to sustain operations in the near term. Management recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its sales and marketing plans and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible equity financing.

Capital Resources

The Company currently has several vehicle operating leases. Operating lease payments are expenses over the term of the relevant lease agreement. The Company is obligated to make future annual lease payments under operating leases for vehicle.

The future aggregate minimum commitment payments are as follows:

	December 31, 2014	June 30, 2014
	$	$
Less than 1 year	19,971	22,719
Between 1 and 5 years	24,631	30,931
	44,602	53,650

In addition to the vehicle leases, the Company has the following commitments:

a) On September 17, 2014, the Company entered into a consulting agreement (the "Agreement) With Mill Street Funding Partners Inc. ("Mill Street") to increase and coordinate wine sales and marketing functions. The Company issued 350,000 signing bonus common shares in connection with entry into the Agreement on October 1, 2014 and Mill Street may earn the following additional commission:

- A cash commission of 1.5% on sales that are brought in by Mill Street; and
- An additional 1,650,000 common shares of FGH to be issued based on the following sales targets being achieved:
    - 330,000 common shares of FGH for every incremental $500,000 on sales that are brought in by Mill Street until 1,650,000 common shares of FGH are issued in full ($2,500,000 total sales).

b) A subsidiary of the Company has a lease obligation of $8,715 per month until February 28, 2015 where rent will increase by $2 per square foot per year until the lease expired on February 28, 2019.

2016	$	112,327
2017	$	118,137
2018	$	123,907
2019	$	85,133

c) A foreign subsidiary of the Company has a lease obligation of approximately $3,510 (RMB19,000) per month until January 31, 2017 when the lease expires.

2016	$	42,114
2017	$	24,567

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Transactions with Related Parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Key Management Personnel Disclosures

During the period ended December 31, 2014, the following amounts were incurred with respect to the officers, directors, and key management of the Company:

		December 31,	
		2014	2013
		$	$
Advisory Services	d	120,000	20,000
Compensation of Key Management Personnel and Directors	e	373,408	141,250
		493,408	161,250

Related Party Transactions

As at December 31, 2014, the following amounts remained outstanding:

		December 31, 2014	June 30, 2014
		$	$
Due to:			
Key management	a	2,093,388	353,160
The Bick Group Inc.	b	36,740	41,866
		2,130,128	395,026

a) As at December 31, 2014, WineOnline outstanding short-term loan from a key management is $115,417 (June 30, 2014 - $115,417). The short-term loan is unsecured, due on demand, and bears an interest of 23% per annum (2013 - 20%) until the closing of the Transaction and 12% per annum thereafter. As of December 31, 2014, the interest charged to WineOnline is $8,553 (December 31, 2014 - $7,388). As at December 31, 2014, the interest payable to the key management is $188,089 (2014 - $179,536).

   Most of WineOnline's purchases were purchased through the key management's personal credit card. As at December 31, 2014, credit card payables owed by the key management on behalf of WineOnline was $28,553 (2014 – $10,000).

   As at December 31, 2014, $79,228 (2014 - $58,660) was payable to management. The amount is non-interest bearing, unsecured and repayable on demand.

   In addition, in relation to acquiring 70% ownership of FGC, a director of the Company incurred $1,682,100 (2014 - $Nil) on behalf of FGC and as at December 31, 2014 $1,682,100 remains payable to the director.

b) On April 18, 2012, WineOnline entered into a promissory note ("Promissory Note") for $75,000 with The Bick Group Inc. ("Bick"), whereby WineOnline unconditionally promises to repay a loan principal amount of $75,000. The loan principal is to be repaid in full by July 1, 2013 or at a mutually agreed date. The Promissory Note is non-interest bearing loan. As at December 31, 2014, WineOnline has repaid $38,260 (June 30, 2014 - $33,134). The remainder balance on the Promissory Note remains outstanding as at December 31, 2014.

   Bick is related to the Company by way of common key management of the Company.

c) On July 22, 2013, WineOnline entered into a promissory note ("Promissory Note") for $25,000 with Gladstone Properties Partnership ("Gladstone Properties"), whereby WineOnline unconditionally promises to repay a loan principal amount of $25,000. The Promissory Note is an interest bearing loan at a fixed rate of 12% per annum. The loan principal amount and interest of $2,180 was repaid in full during the fiscal year 2014. Gladstone Properties is related to the Company by way of a common key management.

d) On December 1, 2013, the Company entered into an agreement with a company (the "Advisor") that is related by way of a common officer of the Company. The Advisor provided corporate advisory services to the Company.

e) Compensation to key management includes $372,408 (December 31, 2013 - $141,250) in salaries and management fees, $4,349 (December 31, 2013 – $Nil) in share based payments, and $1,000 in directors' fee (December 31, 2013 – $Nil).

f) During the period ended December 31, 2014, the Company sold $1,876 of wine to a company that is affiliated to a director of the Company.

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

Critical Accounting Estimates and Changes in Accounting Policies

All significant critical accounting estimates are fully disclosed in Note 2 of the consolidated audited financial statements for the years ended December 31, 2014.

Financial Instruments and Other Instruments

(a) Fair Values

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy

Level 1	Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities
Level 2	Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly
Level 3	Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

As at December 31, 2014 and 2013, cash and cash equivalents and short-term investment is assessed to be level 1 instrument.
The fair values of other financial instruments, which include accounts receivable, bank loan, notes payable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

*Accounts receivables and accounts payables and accrued liabilities exclude sales tax receivable and payable.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The Company manages the risk associated with accounts receivables by credit management policies. Some accounts receivable are due from reputable credit card companies and amounts are received from credit card companies in within three days of the transaction.

(c) Currency Risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has certain cost of goods sold that are denominated in US dollars and Euros, and other operating expenses that are in Canadian dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar, US dollar, Chinese RMB, and Euro.

The following table details the Company's sensitivity, with regards to the above net asset position, to a 10% strengthening of the Chinese RMB and Euro, against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary assets and liabilities and adjusts their translation at period end for a 10% change in foreign currency rates. For a 10% weakening against the Canadian dollar, there would be an equal and opposite impact on net loss and comprehensive loss.

	December 31, 2014	
	CAD$ appreciation by 10%	CAD$ depreciation by 10%
Increase (decrease) in comprehensive income	73,898	(73,898)

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2014, the Company had a working capital of $2,707,948 (June 30, 2014 – $4,102,314). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

(e) Price Risk

The Company is exposed to price risk with respect to fluctuations in the market price or availability of wines could impact the Company's cash flow and purchase.

The Company's profitability depends on the selling price of its products to customers and provincial liquor board. While these prices are controlled by the Company, they are subject to various legislation, regional supply and demand and general economic conditions.

(f) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal.

Summary of Outstanding Share Data

As at the date this report, the Company's share capital is as follows:

(1) Authorized: Unlimited common shares without par value.

(2) 51,560,999 common shares, 3,635,000 options, and 11,593,271 warrants.

Risk and Uncertainties

The following risk factors should be carefully considered in evaluating the company and the industry it operates in. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. New risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Impact due to Economic Conditions
The Company's financial results for the current period and future periods are subject to numerous uncertainties, such as changes in the economy which influence consumer spending and consumer confidence. Inflation and interest rates could impact disposable income and reduce spending in this sector.

Profitability
There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Regulated Competitive Environment
The Company operates in the highly regulated retail liquor industry in the Province of Ontario. The Alcohol and Gaming Commission of Ontario (the "AGCO"), the Liquor Control Board of Ontario (the "LCBO") may issue decisions, enact rules, new legislation or regulations or may make changes to existing legislation or regulations, all of which can impact the operation of the Company both favourably and unfavourably. The Company will also evaluate opportunities to enter into other provincial markets. However, there is no assurance that the Company will be able to obtain all permits, licenses and other regulatory approvals necessary to be able to enter the market in the event that such an opportunity becomes available. Moreover, even if the Company is successful in entering the market, there is no assurance that the regulatory environment will not change in ways that could adversely affect the operations and financial results of the Company or its ability to participate in other provincial markets.

Management of Growth
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reliance on Key Personnel
The continued success of the business of the Company will depend upon the abilities, experience and personal efforts of senior management of the Company, including their ability to attract and retain skilled employees. The loss of the services of such key personnel could have an adverse effect on the business, financial condition and future prospects of the Company.

Weather
Weather conditions can impact consumer demand, especially in winter months when customer counts are typically higher than other months. If weather deteriorates over a prolonged period, it may have a material adverse effect on the Company's operating results.

Agricultural Risk
The production and sale of wine is dependent upon a consistent supply of high-quality grapes available at reasonable prices. Should some or all of the wineries that the Company works with be unable to produce the quality of grapes necessary to produce wine, such a shortfall in product could adversely affect the operations, profitability, and/or distributable cash of the Company.

Significant Competition
The alcoholic beverage industry in Canada is intensely competitive, consisting of many large and small Canadian corporations and international corporations with some possessing extensive experience and financial resources.

Foreign Exchange
Foreign exchange risk exists on the purchases of all agency brand inventories purchased in foreign currencies, which are predominately in Euros and Canadian dollars. The Company currently does not enter into foreign exchange contracts.

Importance of Inventory, warehouse, and distribution systems
The Company's inventory, warehouse and distribution systems are critical components of its operations. The Company's ability to maintain and upgrade the capabilities of these systems is important to its future performance. If the Company is unable to maintain the inventory, warehouse and distribution systems or fails to adequately upgrade these systems, The Company's operations could be adversely affected with the further material adverse effect being on financial results of operations.

Wholesale Cost Increase
Wholesale costs are dependent on a number of factors, including inflation and fuel prices. Any attempt to pass on an increase in wholesale costs to consumers through product price increases could have a material adverse effect on the Company's sales while a failure to effectively pass any such increases on to consumers could have a material adverse effect on the Company's result of operations.

Distribution Business
The Company's business model includes a number of wine and alcohol brands that are represented on an agency basis. There is a risk that such agency brands are sold to an entity that has a pre-existing distribution agency relationship with a provider other than the Company, and the Company's revenues and profitability could suffer as result. Furthermore, the Company's distribution business depends on the ability to retain its current brands as well as attracting additional brands in the future, and a failure to do so could negatively impact revenues and profitability of the Company.

Technology and Online
Information management and technology are key components to the ongoing competitiveness and daily operation of our business. If the Company's investment in technology fails to support its growth initiatives or to keep pace with technological changes, our competitiveness may be compromised. The Company has also increased its investment in developing improvements to the digital customer experience but there can be no assurances that the Company will be able to recoup its investment costs. Furthermore, if systems are damaged or cease to function properly, capital investment may be required and the Company may suffer business interruptions in the interim. Such systems and controls are pervasive throughout our business and failures in the maintenance or development of them could have a significant adverse effect on our business.

Energy Cost
The Company could experience an increase in energy costs which could result in higher transportation, freight and other operating costs. The Company's future operating expenses and margins will be dependent on its ability to manage the impact of cost increases. The Company cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

Impact from Provincial Tax Increases
Tax changes have an effect on sales earnings and results of operations as higher prices could impact consumer demand or behaviors. Going forward, the risk remains that the Government could increase tax on alcohol-based products.

Credit Risk
Credit risk arises from credit exposure to customers through outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the company's financial assets. The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority

of the company's accounts receivable balances are collectable from government-controlled liquor boards, management believes the company's credit risk relating to accounts receivable is at an acceptably low level.

Credit Facility and Financial Instrument Covenants
The Company has terms and conditions which must remain in compliance under its credit facilities. The failure to comply with the terms of the credit facilities would entitle the secured lenders to prevent the Company from further borrowing, or accelerate repayment.

Available Financing
The Company requires additional financing in order to make further investments, pursue acquisition opportunities or take advantage of unanticipated opportunities. In particular, the Company intends to continue to make investments to support business growth and may require additional funds to respond to business challenges, including the need to develop new services or enhance existing services, enhance operating infrastructure and acquire complementary businesses and technologies.

Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Furthermore, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on satisfactory terms when required, its ability to continue to support business growth and to respond to business challenges could be significantly limited.

If the Company is unable to obtain equity and/or debt financing, either at all or on favourable terms, there could have an adverse effect on the future growth prospects of the Company.

Market Volatility and Unpredictable Share Price
The underlying value of the Company’s business may not always be reflected in the share price. Nor can such trading price be predicted accurately. The share price could be influenced by a number of other factors including but not limited to general market conditions, quarterly operating results, interest rates, availability of credit, a thin trading market, overall industry outlook, investor confidence, and others.

Active Trading Market
There currently is not an active trading market for the Common Shares of the Company as a large number of shares are closely held. Without an active trading market for the Common Shares, the trading liquidity of the Common Shares is limited and the market value of the Common Shares may be reduced.