Biostem Technologies, Inc
Notes to Consolidated Financials
For the Years Ended December 31, 2015 and 2014

Note 1 Organization and Nature of Operations

Biostem Technologies, Inc. (the "Company"), is a Florida corporation, and was formed as Caribbean Casino & Gaming Corporation on February 12, 2009. On November 29, 2012, Caribbean Casino & Gaming Corporation changed its name to Caribbean International Holdings, Inc. On August 28, 2014, 14, Caribbean International Holdings, Inc. changed its name to BioStem Technologies, Inc.

The Company is devoted to providing goods and services that educate, provide and share with the world the benefits of using stem cell research, nutraceuticals and telomere science to promote anti-aging, examine life extension possibilities, and the effects of our products and processes in defeating disease. Currently, the issuer has five wholly owned subsidiaries, under which it operates its businesses::

- Biostem Wellness, Inc., a Florida corporation develops and markets nutraceutical products through our own brands, Dr. Dave's Best and Nesvik Organics as well as other non-proprietary products throughout the U.S. and internationally.
- Biostem Pharmaceuticals, Inc., a Delaware corporation is the pharmaceutical research and development arm of BioStem Tech and will, when fully operational, provide proprietary products and compounds for our clients and for our affiliated companies.
- Biostem Cell Therapy, Inc., a Delaware corporation will educate future stem cell providers in patented cell treatment protocols, procedures and practices as well as provide new products to our affiliated companies.
- Biostem International Inc., will be the international operations arm of the issuer and will manage the international operations in Mexico Spain and Iceland, among other locations to be determined.
- Biostem Helps, Inc., a Delaware corporation works with leading non-profit organizations to actively work with people across the globe to engage in combating illness and disease.

The Company is currently selling products through Biostem Wellness, Inc. via two ecommerce platforms, Dr. Dave's Best and Nesvik Organics. In addition, the issuer is continuing to build its stem cell research thru, which are being offered through Biostem Cell Therapy, Inc.

In 2015, the Company incorporated three subsidiaries in Spain, Iceland, and Mexico. The purpose of the foreign subsidiaries are to start the process of penetrating international markets. The Company is currently conducting business in Mexico offering of cell based therapies and has transactions in Iceland regarding the purchase and renovations of a recent land acquisition in Iceland. The buildings at this will be used to house site managers and investors while the property is being built. The goal of the property is to establish a Health & Wellness Resort

The Company's fiscal year end is December 31.

Note 2 Summary of Significant Accounting Policies

Going Concern

As reflected in the accompanying financial statements, the Company had a net loss of $(2,408,929) and net cash used in operations of $(528,577) for the year ended December 31, 2015; and a working capital deficit of $(7,406) at December 31, 2015. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operation is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company may require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company's currently available cash along with anticipated revenues may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Basis of Presentation

The Company is a biotechnology company focused on the development of anti-aging nutraceutical and cosmeceutical products, stem cell therapies, pharmaceuticals and educational provider of cell treatment protocols. The Company is a development stage company.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the product; (ii) competition inherent at national market where product is expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

Principles of Consolidation

The consolidated financial statements include the accounts of Biostem Technologies, Inc. and the all subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts.

The Company recognizes an allowance for losses on accounts receivable in an amount in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivable aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or

uncollectible. The allowance for doubtful accounts for the years ended December 31, 2015 and 2014 were $-0- and $-0-, respectively.

Inventory

Inventories consist primarily of anti-aging products, and are stated at cost. The Company values the inventory at the lower costs (using first-in, first-out method) or market value. The Company periodically reviews historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand.

At December 31, 2015 and December 31, 2014, the Company had $220,468 and $-0- in inventory, respectively. The Company tracks inventory as it is disposed, scrapped or sold at below cost to determine whether additional items on hand should be reduced in value through an allowance method. As of December 31, 2015, the Company has determined that no allowance is required.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property, plant and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 5-39 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred. Major replacements and betterments are capitalized and depreciated using the straight-line method over 39 years.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Valuation of Long-Lived Assets and Identifiable Intangible Assets

The Company reviews for impairment of long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined no impairment adjustment was necessary for the periods presented.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are

assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted process for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, and certain notes payable approximate their fair values because of the short maturity of these instruments.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 3. See Note 6.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of it financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Beneficial Conversion Feature

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument (offset to additional paid in capital) and amortized to interest expense over the life of the debt.

Debt Issue Costs and Debt Discount

The Company may record debt issue costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Original Issue Discount

For certain convertible debt issued, the Company may provide the debt holder with an original issue discount. The original issue discount would be recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

Earnings (Loss) Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The Company uses the “treasury stock” method to determine whether there is a dilutive effect of outstanding convertible debt, option and warrant contracts. For the years ended December 31, 2015 and 2014, the Company reflected a net loss and a dilutive net loss, and the effect of considering any common stock equivalents would have been anti-dilutive for the period. Therefore, separate computation of diluted earnings (loss) per share is not presented for the periods presented.

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a

valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using exacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

The Company's tax returns are subject to examination by the federal and state authorities for the year ended 2014.

The Company did not record a provision or benefit for income taxes during the year ended December 31, 2015.

Recently Issued Accounting Pronouncements

In May 2014, the FASB and International Accounting Standards Board issued a converged final standard on the recognition of revenue from contracts with customers. This updated guidance provides a framework for addressing revenue recognition issues and replaces almost all existing revenue recognition guidance in current U.S. generally accepted accounting principles. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. This guidance is effective for interim and annual periods beginning after December 15, 2017. Management has not yet evaluated the future impact of this guidance on the Company's financial position, results of operations or cash flows.

In September 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU describes how an entity should assess its ability to meet obligations and sets disclosure requirements for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used with existing auditing standards. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance will be examined for the year ended December 31, 2016, and if applicable at that time, will require management to make the appropriate disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

Note 3 Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2015 and December 31, 2014:

	December 31, 2015	December 31, 2014
Building	$ 561,883	$ —
Building Improvements	305,326	—
Machinery and Equipment	485,731	—
Computer and Office Supplies	13,015	93,000
Furniture and Fixtures	22,900	—
Total	1,388,855	93,000
Less: Accumulated Depreciation	(47,135)	(2,220)
Property, Plant and Equipment - net	$ 1,341,720	$ 90,780

Note 4 Other Assets

Other assets consisted of the following at December 31, 2015 and December 31, 2014:

	December 31, 2015	December 31, 2014
Prepaid Expense	$ 8,327	$ 298,475
Security Deposits	4,645	—
Goodwill	629,537	—
Acquired Trademark	155,500	—
Organization Cost	16,375	—
Less: Impairment Charges	—	—
Less: Accumulated Amortization	(4,174)	—

Other Assets - net	$ 810,210	$ 298,475

Note 5 Convertible Debt - Net

The Company has recorded derivative liabilities associated with convertible debt instruments, as more fully discussed at Notes 6.

	Third Party	Related Party	Totals
Balance December 31, 2014	9,926	—	9,926
Add: Amortization of Debt Discount	10,074	—	10,074
Balance September 30, 2015	20,000	—	20,000
Less Repayment and Conversion	(20,000)	—	(20,000)
Long-Term Convertible Debt	$ —	$ —	$ —

On October 30, 2014 and December 22, 2014 the Company issued pursuant to an offering (the "Notes Offering") 8% Convertible Promissory Notes (the "8% Notes") in the aggregate principal amount of $20,000 with certain "accredited investors" (the "Investors"), as defined under Regulation D, Rule 501 of the Securities Act. The principal amount of the Notes of $20,000 and the accrued interest associated with the Notes of $1,800 were repaid in full by either cash or common shares as of December 31, 2015. (Please refer to Note 8)

Note 6 Derivative Liabilities

The Company identified conversion features embedded within convertible debt issued in 2014. The Company has determined that the features associated with the embedded conversion option should be accounted for at fair value, as a derivative liability.

As a result of the application of ASC No. 815, the fair value of convertible is summarized as follows:

	December 31, 2015	December 31, 2014
Fair value at the commitment date - convertible debt	$ 10,944	$ 10,944
Fair value mark to market adjustment – convertible debt	(10,944)	(466)
Totals	$ —	$ 10,478

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of:

	Commitment Date	Re-measurement Date
Expected dividends	0%	0%
Expected volatility	150%	114.16%
Expected term	1 year	0.23 year
Risk free interest rate	0.001% - 0.28%	0.001%

Note 7 Note Payable

On October 29, 2015, the Company purchased a property located at Pompano Beach, Florida for $600,000 including tangible assets. The Company has paid $100,000 in cash and financing the remaining balance at 5% interest rate. The Company is obligated to pay interest only for 18 months effective October 29, 2015. The principal is needed to be paid in full in 18 months from the closing date. The property will be used as laboratory for product research and development.

Note 8 Stockholders' Equity

(A) Common Stock

On January 7, 2015, the Company retired 128,979,751 shares of common stock. Furthermore, the Company has amended its Series B-1 shares. The retiring of the 128,979,751 common shares to treasury reduced the total outstanding common shares by approximately 25%.

On January 15, 2015, the Company filed Articles of Amendment to its Articles of Incorporation (which amendment was dated as of January 12, 2015) to institute a 1:400 reverse split of the common shares. The reverse split was effective on January 27, 2015.

For the years ended December 31, 2015 and December, 31 2014, the Company issued the following common stock (quantity was shown as post 1:400 reverse split):

Transaction Type		Quantity	Valuation	Range of Value per Share
December 31, 2014				
Common stock issued for cash (post 1:400 reverse-split)	(1)	13,042	$ 135,000	$ 10.35
Common stock issued for services (post 1:400 reverse-split)	(2)	50,000	20,000	0.4
Common stock issued for prior acquisition (post 1:400 reverse-split)	(3)	26,000	10,400	0.4

		89,042	$ 165,400	$ .40-10.35
December 31, 2015				
Common stock issued for cash (post 1:400 reverse-split)	(4)	948,927	1,339,251	1.41
Common stock issued for services (post 1:400 reverse-split)	(5)	1,028,286	1,595,333	1.55
Common stock issued for acquisition (post 1:400 reverse-split)	(6)	241,675	686,170	2.84
Common stock issued for conversion (post 1:400 reverse-split)	(7)	4,207	21,800	5.18
		2,223,095	$ 3,642,554	$ 1.41-5.18

(1) Common stock issued for cash (post 1:400 reverse-split)

Each common stock was issued at par value of $0.001 prior to 1:400 reverse-split on January 27, 2015. Upon 1:400 reverse-split, the par value increased to $0.40 per share.

(2) Common stock issued for services (post 1:400 reverse-split)

In December 2014, the Company issued 20,000,000 shares originally for the services performed by third parties which the fair value was $20,000. Upon 1:400 reverse-split, the shares were reduced to 50,000 shares.

(3) Common stock issued for prior acquisition (post 1:400 reverse-split)

In December 2014, the Company issued 10,400,000 shares at the par value of $0.001 to fulfill the obligations that the Company owed to previous owners for the acquisition of the Company. Upon 1:400 reverse-split, the shares were reduced to 26,000 shares.

(4) Common stock issued for cash (post 1:400 reverse-split)

Beginning in 2015, the Company issued stock for cash at the price per share in range of $1.00 and $7.50. As of December 31, 2015, total shares of 948,927 been issued for total proceeds of $1,339,251.

(5) Common stock issued for services (post 1:400 reverse-split)

In 2015, the Company issued total of 1,028,286 shares for the consulting services performed by third parties, the fair value of the services was $1,595,333. The Company issued the stock in the range of $1.00 and $17.20 per share.

(6) Common stock issued for acquisition of assets (post 1:400 reverse-split)

In April 2015, the Company issued 26,675 shares at $1.34 per share to fulfill the obligations that the Company owed to previous owners for the acquisition of the Company.

In November 2015, the Company issued additional 215,000 shares in the range of $3.00 and $3.11 per share for the purpose of acquiring the exclusive right to use the brand name and inventory from the another entities.

(7) Common stock issued for conversion (post 1:400 reverse-split)

In December 2015, the Investor agreed to convert the Notes with principal amount of $20,000 and accrued interest of $1,800 to Company's common stock. The Company issued 4,207 shares to fulfill the obligations.

(B) Additional Paid in Capital and Other Equity Transactions

The following transactions occurred during the period:

(1) Additional Paid in Capital

The net proceeds in excess of the par value of $0.40 are recorded as Additional Paid in Capital. For the year ended December 31, 2015, total cash proceeds of $959,680, services rendered by third parties of $1,184,019, asset acquisitions of $589,500, and retirement of common shares to Series B-1 shares of $128,955 had been recorded as Additional Paid in Capital.

In December 2015, derivative liabilities of $8,589 associated with Convertible Notes had been reclassified to Additional Paid in Capital.

(2) Preferred Stock

The Company retired 128,979,751 common shares to treasury and issued new Preferred B-1 stock to the investors.

Note 9 Commitments and Contingencies

Operating Lease

In October, 2014, the Company executed a 36-month lease for a new corporate headquarters with an annual base rent of $27,164 annually through 2017. The Company paid a security deposit of $2,157.

Employment Agreements

In January 2015, the Company entered into new employment agreement with three officers. According to the new employment agreements, the new salary increased to the range of $180,000 and $250,000 annually and effective January 1, 2015.

Consulting Agreements

In December 2014, the Company entered into a consulting agreement with an advisor on anti-aging products. According to the consulting agreement, the Company will pay for the services the sum of $1,250 per month with a one-time issuance of 10,000,000 shares of restricted common capital stock (the total shares had been reduced to 25,000 shares upon reverse split).

In 2015, the Company entered consulting agreements with other consultants ("Consultants"). According to the consulting agreements, the Consultants are engaged to provide services for the development of anti-aging products, nutraceutical and pharmaceutical distribution, developing marketing plans, strategies, analyzing market data and other product development. The services performed by the Consultants would be compensated by the issuance of Company restricted common stock in range of 30,000 and 100,000 shares. One of these agreements had a term of thirty-six (36) months, and the Company will issue 100,000 shares each anniversary date for the next two (2) years.

Note 10 Subsequent Events

The Company has started the development of its wholly owned subsidiary, Biostem Pharmaceuticals, Inc. The Company has established an operational office at 4751 NE 11th Ave, Oakland Park, FL 33334 and pays $1,503.55 per month for this office space and support services, on a 36-month lease. This facility will be used to repackage Active Pharmaceutical Ingredients at an FDA quality level.

The Company has issued common shares for accrued salary in the amount of $289,759 and additional accrued salary remains outstanding. The Company's architectual plans for the build out of its laboratory have been approved at the county level and are at the city for final approval, and are expected to be completed and signed mid-April, 2016.