

TAURIGA SCIENCES, INC.  
Form 10-Q  
August 09, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended **December 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 000-53723**

**TAURIGA SCIENCES, INC.**

(Exact name of registrant as specified in its charter)

**Florida**                              **30-0791746**  
(State or other jurisdiction (I.R.S. Employer  
of Identification No.)          or organization)

**39 Old Ridgebury Road**

**Danbury, CT 06180**

(Address of principal executive offices) (Zip Code)

**(858) 353-5749**

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

**None**

Securities registered under Section 12(g) of the Exchange Act:

**Common Stock, \$.00001 Par Value**

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 4, 2016 the registrant had 1,349,270,933 shares of its Common Stock, \$0.00001 par value, outstanding.

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**PART I. FINANCIAL STATEMENTS****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(IN US\$)

	December 31, 2015 (Unaudited)	March 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash	\$-	\$209,098
Inventory	-	90,987
Investment - available for sale security	438	4,063
Prepaid expenses and other current assets	4,375	29,207
Total current assets	4,813	333,355
Property and equipment, net	9,005	25,286
Total assets	\$13,818	\$358,641
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Notes payable to individuals and companies	\$253,775	\$48,775
Notes payable to individuals and companies - related party	18,000	-
Convertible notes to financial institutions, net of derivative and discounts	-	-
Bank overdraft	962	-
Accounts payable	314,324	272,063
Accrued interest	55,611	14,431
Accrued expenses	271,043	271,216
Accrued professional fees	382,372	486,372
Liability for common stock to be issued	298,000	495,856
Derivative liability	494,629	90,000
Total current liabilities	2,088,716	1,678,713
Commitments and contingencies	-	-
Stockholders' deficit:		

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Common stock, par value \$0.00001; 2,500,000,000 and 1,000,000,000 shares authorized, 1,002,320,933 and 899,007,530 issued and outstanding at December 31, 2015 and March 31, 2015, respectively	10,023	8,990
Additional paid-in capital	48,719,626	48,150,896
Accumulated deficit	(50,564,029)	(49,243,640)
Accumulated other comprehensive loss	(240,518 )	(236,318 )
Total stockholders' deficit	(2,074,898 )	(1,320,072 )
 Total liabilities and stockholders' deficit	 \$ 13,818	 \$ 358,641

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

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## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(IN US\$)

(UNAUDITED)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014 (Restated)	2015	2014 (Restated)
<b>Continuing Operations:</b>				
Revenues	\$-	\$-	\$-	\$-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
General and administrative	214,753	667,134	988,108	3,509,426
Depreciation and amortization expense	2,272	482	7,741	4,889
Total operating expenses	217,025	667,616	995,849	3,514,315
Loss from operations	(217,025 )	(667,616 )	(995,849 )	(3,514,315 )
Other income (expense)				
Interest expense	(24,973 )	(58,260 )	(48,180 )	(184,942 )
Financing expense	-	(600,000 )	(324,000 )	(1,058,177 )
Derivative expense	-	-	(153,384 )	-
Costs of terminated acquisition	-	-	-	(254,118 )
Gain on settlement	-	-	265,856	-
Gain on sale of investment	-	-	125,000	-
Gain on warrant conversion	-	-	56,372	-
Change in derivative liability	1,055,152	395	(150,244 )	343,625
Total other income (expense) - net	1,030,179	(657,865 )	(228,580 )	(1,153,612 )
Net income (loss) from continuing operations	813,154	(1,325,481 )	(1,224,429 )	(4,667,927 )
<b>Discontinued Operations:</b>				
Gain (loss) from discontinued operations	-	(32,399 )	8,997	(30,136 )
Loss from disposal of discontinued operation	-	-	(104,957 )	-
Total discontinued operations	-	(32,399 )	(95,960 )	(30,136 )
Net income (loss)	813,154	(1,357,880 )	(1,320,389 )	(4,698,063 )

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Other comprehensive income (loss)								
Change in unrealized loss on available for sale security	(562	)	(5,562	) (3,625	) (60,250	)		
Foreign currency translation adjustment	(4	)	1,783	(575	)	688		
Total other comprehensive income (loss)	(566	)	(3,779	)	(4,200	) (59,562	)	
Comprehensive income (loss)	\$812,588		\$(1,361,659	)	\$(1,324,589	) \$(4,757,625	)	
Income (loss) per share - basic	\$0.00		\$(0.00	)	\$(0.00	) \$(0.01	)	
Weighted average number of shares outstanding - basic	992,483,976		828,712,539		951,174,483		759,563,515	
Income (loss) per share - fully diluted	\$0.00		\$(0.00	)	(0.00	)	(0.01	)
Weighted average number of shares outstanding - fully diluted	1,370,822,013		945,332,960		1,267,213,054		915,483,606	

*The accompanying notes are an integral part of the condensed consolidated financial statements.*



## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN US\$)

(UNAUDITED)

	For the Nine Months Ended December 31,	
	2015	2014
Cash flows from operating activities		
Net loss	\$(1,320,389)	\$(4,698,063)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation	589,635	2,148,880
Depreciation and amortization	7,741	7,848
Gain on warrant conversion	33,628	-
Issuance of a warrant for financing expense	-	458,177
Gain on settlement	(265,856 )	-
Amortization of deferred financing costs	-	34,014
Accretion on convertible notes payable	-	70,022
Common stock issued for services	90,500	-
Derivative expense	344,385	-
Change in derivative liability	131,025	(343,625 )
Cost of terminated acquisition	-	254,118
Share Liability	-	600,000
Loss on disposal of Natural Wellness business	104,957	-
Value of financing costs for share liability	154,000	-
Decrease (increase) in assets		
Inventory	9,789	(68,086 )
Prepaid expenses	8,371	(26,825 )
Increase (decrease) in liabilities		
Accounts payable	42,260	(21,093 )
Accrued interest	41,180	10,971
Accrued expenses	(173 )	(31,684 )
Accrued professional fees	(104,000 )	3,228
Cash used in operating activities	(132,947 )	(1,602,118)
Cash flows from investing activities		
Proceeds received for Natural Wellness business	20,462	-
Bank overdraft	962	-
Purchase of equipment	-	(11,956 )
Deferred acquisition costs	-	(28,295 )
Cash provided by (used in) investing activities	21,424	(40,251 )

Cash flows from financing activities		
Proceeds from notes payable	205,000	-
Proceeds from notes payable-related party	18,000	-
Payment for settlement of financing	(230,000 )	-
Proceeds from the sale of common stock	-	1,013,500
Proceeds from convertible debentures	(90,000 )	-
Payment of convertible debenture	-	(83,333 )
Proceeds from warrant exercise	-	250,000
Commission paid on sales of common stock	-	(35,000 )
Cash provided by (used in) financing activities	(97,000 )	1,145,167
Foreign currency translation effect	(575 )	688
Net decrease in cash	(209,098 )	(496,514 )
Cash, beginning of period	209,098	812,907
Cash, end of period	\$-	\$316,393

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest Paid	\$-	\$-
Taxes Paid	\$-	\$-

NON CASH ITEMS

Conversion of convertible debentures to common stock	\$-	\$1,473,196
Conversion of accrued interest to common stock	\$-	\$24,398
Impairment of available for sale security	\$-	\$60,250
Issuance of common stock for cashless warrant exercise	\$-	\$267
Note receivable from terminated acquisition	\$-	\$170,000

*The accompanying notes are an integral part of the condensed consolidated financial statements.*

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – BASIS OF OPERATIONS**

The unaudited financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The financial statements and notes are presented as permitted on Form 10-Q and do not contain certain information included in the Company’s annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the March 31, 2015 Form 10-K filed with the SEC, including the audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

**Nature of Business**

The Company, prior to December 12, 2011, was involved in the business of exploiting new technologies for the production of clean energy. The Company was then moving in the direction of a diversified biotechnology company. The mission of the Company is to evaluate potential acquisition candidates operating in the life sciences technology space. The Company’s revenue in fiscal year 2016 was generated from its natural wellness cannabis complement line launched in August 2014.

The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional funding, success in developing and marketing its products and the level of competition.

In May 2011, the Company had entered into an exclusive memorandum of understanding with Immunovative Therapies, Ltd. (“ITL”) (an Israeli company) whereby the Company would acquire a subsidiary of ITL. On December

12, 2011, the Company terminated this memorandum of understanding and entered into a License Agreement (the "License Agreement") with ITL, pursuant to which the Company received an immediate exclusive and worldwide license to commercialize all the Licensed Products based on ITL's current and future patents and a patent in-licensed from the University of Arizona. The license granted covers two experimental products for the treatment of cancer in clinical development called AlloStim TM and Allo Vax TM ("Licensed Products"). On May 8, 2012, the Company changed its name to Immunovative, Inc. to better reflect its new direction on the development and commercialization of the next generation of immunotherapy treatments.

On January 8, 2013, the Company received from ITL, a notice by which ITL purported to terminate the License Agreement dated December 9, 2011 between the Company and ITL (the "ITL Notice"), along with alleged damages. It is the Company's position that ITL breached the License Agreement by delivering the ITL Notice and, that prior to the ITL Notice, the License Agreement was in full force and, on January 17, 2013, and that the Company had complied in all material respects with the License Agreement and therefore the Company believes that there are no damages to ITL. As such, on January 17, 2013, the Company filed a lawsuit against ITL, which included the request for various injunctive relief against ITL for damages stemming from this breach. On February 19, 2013, the Company and ITL entered into a settlement agreement whereby the parties have agreed to the following: (1) the Company will submit a letter to the Court advising the Court that the parties have reached a settlement and that the Company is withdrawing its motion, (2) ITL will pay the Company \$20,000, (3) ITL will issue to the Company, ITL's share capital equivalent to 9% of the issued and outstanding shares of ITL (3,280,000) (4) the Company will change its name and (5) the settling parties agree that the license agreement will be terminated. The Company had valued these shares at \$0 since they deemed the investment to be worthless. During the three months ended September 30, 2015, the Company sold the 3,280,000 shares for \$125,000 which is recorded in the consolidated statements of operations.

On March 13, 2013, the Company changed its name to Tauriga Sciences, Inc. to better reflect its new direction. The Company traded under the symbol "TAUG" beginning April 9, 2013.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – BASIS OF OPERATIONS (CONTINUED)**

On May 31, 2013, the Company signed a Licensing Agreement with Green Hygienics, Inc. (“GHI”) to enable the Company, on an exclusive basis for North America, to market and sell 100% tree-free, bamboo-based, biodegradable, hospital grade wipes, as well as other similar products. The Company contracted to pay \$250,000 for the licensing rights. In addition, the Company issued 4,347,826 shares of its common stock to GHI whereas GHI’s parent company, Green Innovations Ltd. (“GNIN”) has issued the Company 625,000 shares of common stock of GNIN, valued at \$250,000. The Company paid \$143,730 in cash to GHI and, in lieu of the remaining \$106,270 to be paid in cash the Company issued an additional 2,500,000 shares of its common stock for the licensing rights. See Note 5.

On October 29, 2013, the Company entered into a strategic alliance with Bacterial Robotics, LLC (Bacterial Robotics). Bacterial Robotics owns certain patents and/or other intellectual property related to the development of genetically modified micro-organisms (GMOs) and GMOs tailored to perform one or more specific functions, one such GMO being adopted to clean polluting molecules from nuclear waste, such GMO being referred herein as the existing BactoBot Technology (the BR Technology). Bacterial Robotics is developing a whitepaper to deliver to the Company for acceptance. Upon acceptance by the Company, the parties will form a strategic relationship through the formation of a joint venture in which the Company will be the majority and controlling owner which will use the NuclearBot Technology to further the growth of the nuclear wastewater treatment market. The intent is for Bacterial Robotics to issue a 10-year license agreement. In connection with the strategic alliance agreement, the Company issued a warrant to purchase 75,000,000 shares of its common stock valued at \$1,100,000 and paid an additional \$50,000 in cash. The Company fully impaired this as of March 31, 2014, as there was no value in the agreement, and the Company would not pursue any of the technology associated with the patents.

On November 25, 2013, the Company executed a definitive agreement to acquire Pilus Energy, LLC (“Pilus”), an Ohio limited liability company and a developer of alternative cleantech energy platforms using proprietary microbial solutions that creates electricity while consuming polluting molecules from wastewater. Pilus is converging digester, fermenter, scrubber, and other proven technologies into a scalable Electrogenic Bioreactor (“EBR”) platform. This transformative technology is the basis of the Pilus Cell™. The EBR harnesses genetically enhanced bacteria, also known as bacterial robots, or BactoBots™, that remediate water, harvest direct current (“DC”) electricity, and produce economically important gases. The EBR accomplishes this through bacterial metabolism, specifically cellular respiration of nearly four hundred carbon and nitrogen molecules. Pilus’ highly metabolic bacteria are non-pathogenic. Because of the mediated biofilm formation, these wastewater-to-value BactoBots resist heavy metal poisoning, swings of pH, and survive in a 4 to 45-degree Celsius temperature range. Additionally, the BactoBots are anaerobically and aerobically active, even with low BOD/COD. On January 28, 2014, the acquisition was completed. Pilus will be a wholly-owned subsidiary of the Company. As a condition of the acquisition, Pilus will get one seat on the board of directors, and the shareholders of Pilus will receive a warrant to purchase 100,000,000 shares of common stock of the

Company, which represented a fair market value of approximately \$2,000,000. In addition, the Company paid Bacterial Robotics, LLC (“BRLLC”), formerly the parent company of Pilus, \$50,000 on signing the memorandum of understanding and \$50,000 at the time of closing. The only asset Pilus had on its balance sheet at the time of the acquisition was a patent. The Company determined that the value of the acquisition on January 28, 2014 would be equal to the value of cash paid to Pilus plus the value of the 100,000,000 warrants they issued to acquire Pilus. Through March 31, 2014, the Company amortized the patent over its estimated useful life, then on March 31, 2014, the Company conducted its annual impairment test and determined that the entire unamortized balance should be impaired as the necessary funding to further develop the patent was not available at that time.

As of December 31, 2015, the Company determined that their patents with respect to Pilus was impaired due to their inability to raise capital as a result of the issues related to the acts committed by the Predecessor Audit Firm that lead to the delisting of the Company’s shares on July 31, 2015 (see Note 13). On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

On March 10, 2014, the Company entered into a definitive agreement to acquire California based Honeywood, LLC (“Honeywood”), a developer of a tropical medicinal cannabis product which is a therapeutic cream that currently sells in numerous dispensaries across the State of California. This definitive agreement was valid for a period of 120 days and the Company advanced to Honeywood approximately \$175,000 in cash and incurred legal fees and other costs of approximately \$249,000 through September 24, 2014. The Company wrote off all costs associated with this during the years ended March 31, 2014 and 2015 as the Company is not pursuing any operations in the area in which Honeywood has the technology.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – BASIS OF OPERATIONS (CONTINUED)**

On July 15, 2014, the Company completed its acquisition of California-based medicinal cannabis firm Honeywood LLC, the formulator for Doc Green's topical cannabis cream and for other products. Under terms of the completed acquisition agreement, Honeywood will operate as a wholly owned subsidiary of the Company. The final acquisition terms result in stakeholders of Honeywood receiving 15.5% of Tauriga Sciences non-diluted shares of common stock outstanding immediately prior to closing. Honeywood's principals have the opportunity to collectively earn up to an additional aggregate equal to 10% of Tauriga's common stock outstanding (utilizing the same initial Closing Date) upon achieving the following gross revenue based milestones: upon the generation and receipt of \$2,000,000 USD of gross revenues derived strictly from the sale and licensing of Honeywood's products, the three Honeywood principals shall each be issued either restricted stock or stock options equal to 1.6666% shares of Common Stock of Tauriga; upon the generation and receipt of an additional \$2,000,000 USD (\$4,000,000 USD total gross revenues by Honeywood), its three principals shall each be issued an additional 1.6666% shares of Common Stock of Tauriga (each such additional issuance to be set off the outstanding shares immediately prior to the Closing Date).

In connection with the Honeywood acquisition, the Company entered into employment agreements with three Honeywood executives effective upon closing. The agreements are for a term of three years and provide for monthly payments of \$7,000 each, an aggregate of \$21,000, and commissions based on new business generated, as defined in the agreements.

On September 24, 2014, the Company, Honeywood, and each of the Honeywood executives entered into an agreement to unwind the acquisition and the transactions entered into therewith, including a refund of certain advances made by the Company to Honeywood. As a result, the acquisition agreement and employment agreements with the Honeywood executives were terminated and Honeywood issued a secured promissory note to the Company in the amount of \$170,000. The note is to be paid, together with interest thereon of 6% from October 1, 2014, in six quarterly installments commencing on March 31, 2015 and ending on June 30, 2016. The promissory note is secured by all of the assets of Honeywood, as defined in the security agreement. The Company and Honeywood also entered into a license agreement (See Note 10). The initial payment pursuant to the promissory note of \$33,462 was due March 31, 2015 and was never paid. Based on the financial position of Honeywood, the Company believes that the potential legal costs to enforce its rights pursuant to the terms of the promissory note will be in excess of any compensation it will potentially receive and has deemed the promissory note worthless at March 31, 2015. An amount of \$175,100, representing the principal balance of the note and accrued interest income of \$5,100 has been recorded as a charge to operations at March 31, 2015.

On July 9, 2015, Dr. Sung submitted her resignation as a member of the Company's BOD and as CEO and CFO of the Company. Simultaneously with Dr. Sung's resignation, the BOD appointed Seth M. Shaw as the Chairman of the BOD and the Company's new CEO.

### **Delisting from the OTCQB Exchange**

On July 31, 2015, shares of the Company were delisted from the OTCQB Exchange to OTC Pink Limited Information Tier. On July 23, 2015 (via the PCAOB Public Censure), the Company became aware that the Company's predecessor audit firm, Cowan, Guteski & Co P.A. (the "Predecessor Audit Firm") violated Securities and Exchange Commission ("SEC") Regulation SX, Rule 2-01 as well as certain standards with respect to the PCAOB independence rules with respect to the Predecessor Audit Firm's audit report with respect to the Company year ended March 31, 2014 financial statements (the "Order"). Specifically, the Predecessor Audit Firm failed to adhere to the SEC regulations with respect to the partner rotation rules.

These rules require that the engagement partner as well as the quality concurring reviewer must be rotated off of the engagement for 5 years (cooling off period) after engaged in those roles for a period of 5 years. The Predecessor Audit Firm did not do this.

As a result of the non-compliance with the SEC regulations, on the morning of Thursday, July 30, 2015, the Company petitioned the OTC Markets in writing to extend the existing seven day OTCQB listing extension by a total of 60 additional days until close of business October 5, 2015. The OTC Markets panel denied the request and notified the Company it would be moved from the OTCQB to the OTC Pink Limited Information category effective at market open Friday July 31, 2015.



TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – BASIS OF OPERATIONS (CONTINUED)**

**Going Concern**

As indicated in the accompanying condensed consolidated financial statements, the Company has incurred net losses of \$1,320,389 and \$4,698,063 for the nine months ended December 31, 2015 and 2014, respectively. Management's plans include the raising of capital through equity markets to fund future operations and cultivating new license agreements or acquiring ownership in technology companies. Failure to raise adequate capital and generate adequate sales revenues could result in the Company having to curtail or cease operations. Additionally, even if the Company does raise sufficient capital to support its operating expenses, acquire new license agreements or ownership interests in medical companies and generate adequate revenues, there can be no assurances that the revenues will be sufficient to enable it to develop business to a level where it will generate profits and cash flows from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. However, the accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These condensed consolidated 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Condensed Consolidated Financial Statements**

The condensed consolidated financial statements include the accounts and activities of Tauriga Sciences, Inc. and its wholly-owned Canadian subsidiary, Tauriga Canada, Inc. All inter-company transactions have been eliminated in consolidation.

### **Revenue Recognition**

Revenue is recognized when realized or realizable, and when the earnings process is complete, which is generally upon the shipment of products.

### **Foreign Currency Translation**

Commencing with the quarter ended June 30, 2012, the Company considers the U.S. dollar to be its functional currency. Prior to March 31, 2012, the Company considered the Canadian dollar to be its functional currency. Assets and liabilities were translated into U.S. dollars at year-end exchange rates. Statement of operations amounts were translated using the average rate during the year. Gains and losses resulting from translating foreign currency financial statements were included in accumulated other comprehensive gain or loss, a separate component of stockholders' deficit.

### **Cash Equivalents**

For purposes of reporting cash flows, cash equivalents include investment instruments purchased with an original maturity of three months or less. At December 31, 2015, the Company had no cash at any financial institution which exceeded the total FDIC insurance limit of \$250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

### **Inventory**

Inventory consists of raw materials, production in progress and finished goods and is stated at the lower of cost or market determined by the first-in, first-out method.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment and Depreciation**

Property and equipment is stated at cost and is depreciated using the straight line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations.

**Intangible Assets**

Intangible assets consisted of licensing fees and a patent prior to being impaired which were stated at cost. Licenses were amortized over the life of the agreement and patents were amortized over the remaining life of the patent at the date of acquisition.

**Net Income (Loss) Per Common Share**

The Company computes per share amounts in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 260 Earnings per Share (“EPS”) which requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common Stock equivalents outstanding during the periods; however, potential common shares are excluded for period in which the Company incurs losses, as their effect is anti-dilutive. For the nine months ended December 31, 2015 and 2014 and the three months ended December 31, 2014 the basic and fully diluted earnings per share were the same as the Company had a loss.

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The following chart shows the number of common share equivalents outstanding for the nine months ended December 31, 2015 and the year ended March 31, 2015.

	December 31, 2015 (Weighted Avg)	March 31, 2015
Common shares issued and outstanding	951,174,483	899,007,530
Common share equivalents	316,038,571	116,491,932
Total fully diluted common shares	1,267,213,054	1,015,499,462

### **Stock-Based Compensation**

The Company accounts for Stock-Based Compensation under ASC 718 “Compensation-Stock Compensation”, which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. ASC 718-10 requires measurement of cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized.

The Company accounts for stock-based compensation awards to non-employees in accordance with ASC 505-50, Equity-Based Payments to Non-Employees. Under ASC 505-50, the Company determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Any stock options or warrants issued to non-employees are recorded in expense and an offset to additional paid-in capital in shareholders’ equity/(deficit) over the applicable service periods using variable accounting through the vesting dates based on the fair value of the options or warrants at the end of each period.

The Company issues stock to consultants for various services. The costs for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (1) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (2) the date at which the counterparty’s performance is complete. The Company recognized consulting expense and a corresponding increase to additional paid-in-capital related to stock issued for services.

### **Comprehensive Income (Loss)**

The Company has adopted ASC 220 effective January 1, 2012 which requires entities to report comprehensive income (loss) within a continuous statement of comprehensive income.

Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of information that historically has not been recognized in the calculation of net income (loss).

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

Long-lived assets, primarily fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The Company will perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, the Company would recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and estimated fair value.

**Research and Development**

The Company expenses research and development costs as incurred. Research and development costs were \$0 and \$74,580 in the nine months ended December 31, 2015 and 2014, respectively.

**Fair Value Measurements**

ASC 820 Fair Value Measurements defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements.

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

Level 1- fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2- fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3- fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments classified as Level 1 - quoted prices in active markets include cash.

These condensed consolidated financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Valuations based on unobservable inputs are highly subjective and require significant judgments. Changes in such judgments could have a material impact on fair value estimates. In addition, since estimates are as of a specific point in time, they are susceptible to material near-term changes. Changes in economic conditions may also dramatically affect the estimated fair values.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2015 and 2014. The respective carrying value of certain financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative Financial Instruments**

Derivatives are recorded on the condensed consolidated balance sheet at fair value. The conversion features of the convertible debentures are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model we use for determining fair value of our derivatives is the Monte Carlo Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. During the year ended March 31, 2015, the Company utilized an expected life ranging from 66 days to 325 days based upon the look-back period of its convertible debentures and notes and volatility in the range of 166% to 196%. During the year ended March 31, 2014, the Company utilized an expected life ranging from 180 days to 360 days based upon the look-back period of its convertible debentures and notes and volatility in the range of 89% to 172%. In the nine months ended December 31, 2015, as a result of the May 28, 2015, 7% Convertible Redeemable Note with a principal amount of \$104,000 with a maturity date of May 28, 2016 (the "Union Note") which contains an anti-ratchet clause for the conversion of this Union Note, the Company recorded a derivative liability in the amount of \$200,058 (as a result the entire note was discounted). The also recorded a derivative liability as a result of the July 14, 2015 issuance of a 12% Convertible Redeemable Note with the principal amount of \$96,000 issued with an original issue discount of \$16,000. The derivative liability recorded on this note was \$152,126 (as a result the entire note was discounted.) As a result of the issuance of this note containing more beneficial terms of conversion, the Union Note will now be convertible at the lower of the lesser of (a) sixty percent (60%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one half penny (\$0.005). In the period April 1, 2015 through December 31, 2015, the Company recognized a loss on the fair value of the derivative liability in the amount of \$150,244 bringing the fair value of the derivative liability to \$494,629.

**Income Taxes**

Income taxes are accounted for under the liability method of accounting for income taxes. Under the liability method, future tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of assets and liabilities and their respective tax bases.



Future tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

ASC 740 "Income Taxes" clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

As a result of the implementation of this standard, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by ASC 740 and concluded that the tax position of the Company does not meet the more-likely-than-not threshold as of December 31, 2015.

### **Recent Accounting Pronouncements**

In March 2016, the FASB issues ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718)", or ASU No. 2016-09. The amendments of ASU No. 2016-09 were issues as part of the FASB's simplification initiative focused on improving areas of GAAP for which cost and complexity may be reduced while maintaining or improving the usefulness of information disclosed within the financial statements. The amendments focused on simplification specifically with regard to share-based payment transactions, including income tax consequences, classification of awards as equity or liabilities and classification on the statement of cash flows. The guidance in ASU No. 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company will evaluate the effect of ASU 2016-09 for future periods as applicable.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new guidance will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and is applied retrospectively. Early adoption is permitted. We are currently in the process of assessing the impact the adoption of this guidance will have on the Company's consolidated financial statements.

In August 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements—Going Concern" ("ASU No. 2014-15"). The provisions of ASU No. 2014-15 require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently assessing the impact of this ASU on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements – Going Concern, that outlines management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendment is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently assessing the impact that this standard will have on its consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810,

Consolidation” (ASU 2014-10). ASU 2014-10 removes all incremental financial reporting requirements regarding development-stage entities, including the removal of Topic 915 from the FASB Accounting Standards Codification. In addition, ASU 2014-10 adds an example disclosure in Risks and Uncertainties (Topic 275) to illustrate one way that an entity that has not begun planned operations could provide information about risks and uncertainties related to the company’s current activities. ASU 2014-10 also removes an exception provided to development-stage entities in Consolidations (Topic 810) for determining whether an entity is a variable interest entity. Effective with the first quarter of our fiscal year ended March 31, 2015, the presentation and disclosure requirements of Topic 915 will no longer be required. The revisions to Consolidation (Topic 810) are effective the first quarter of our fiscal year ended March 31, 2017. The Company early adopted the provisions of ASU 2014-10 effective for the year ended March 31, 2015.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606) (ASU 2014-09), which supersedes the revenue recognition requirements in ASC Topic 605, “Revenue Recognition”, and most industry-specific guidance. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in ASU 2014-09 will be applied using one of two retrospective methods. The effective date will be the first quarter of our fiscal year ended March 31, 2018. We have not determined the potential effects on our consolidated financial statements.

There are several other new accounting pronouncements issued or proposed by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company’s consolidated financial position or operating results.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In accordance with ASC 855 “Subsequent Events” the Company evaluated subsequent events after the balance sheet date through the date of issuance.

**NOTE 3 – DISCONTINUED OPERATIONS**

On August 11, 2015 the Company formally divested (discontinued) its Natural Wellness Business. The business mainly consisted of a CBD infused topical lotion called TopiCanna as well as a line of Cannabis Complement products that were intended to compliment individuals who were consistently using medicinal cannabis related product. On August 11, 2015, the Company sold the balance of its inventory of TopiCanna and Cannabis Complement products for a one-time cash payment of \$20,462. As a result of the disposal of this business, the Company reported a loss on disposal of \$104,957, as reflected in the chart below:

TAURIGA SCIENCES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF DISCONTINUED OPERATIONS

	For the Three Months Ended December 31, 2014	For the Three Months Ended December 31, 2015	For the Nine Months Ended December 31, 2015	2014
Revenues	\$- \$28,834	\$51,062	\$39,665	
Cost of goods sold	- 8,824	14,472	11,842	

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Gross profit	-	20,010	36,590	27,823
Operating expenses				
General and administrative	-	50,000	26,790	55,000
Impairment of notes receivable	-	-	-	-
Impairment of license agreements	-	-	-	-
Impairment of patents	-	-	-	-
Depreciation and amortization expense	-	2,409	803	2,959
Total operating expenses	-	52,409	27,593	57,959
Gain (loss) from discontinued operations	\$-	(32,399)	\$8,997	(30,136)

TAURIGA SCIENCES, INC. AND SUBSIDIARY

BALANCE SHEET FROM DISCONTINUED OPERATIONS

	December 31, 2015	March 31, 2015
Assets of discontinued operations	\$ -	\$209,442
Liabilities of discontinued operations	-	-

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 3 – DISCONTINUED OPERATIONS (CONTINUED)**

The Company recognized a loss on the disposal of the Natural Wellness subsidiary:

TAURIGA SCIENCES, INC. AND SUBSIDIARY

Loss on disposal of Natural Wellness (subsidiary)

Cash	\$	19,219	
Inventory, at cost		81,198	
Prepaid expenses		16,461	
Property and equipment, net		8,541	
Less cash received for sale of inventory		(20,462	)
Loss on disposal of continuing operations	\$	104,957	

**NOTE 4 – PROPERTY AND EQUIPMENT**

The Company's property and equipment is as follows:

	<b>December 31, 2015</b>	<b>March 31, 2015</b>	<b>Estimated Life</b>
Computers, office furniture and equipment	\$ 55,942	\$ 55,942	3-5 years
Technical equipment	-	11,099	5 years
Total	55,942	67,041	
Less: accumulated depreciation	(46,937 )	(41,755)	

Net	\$ 9,005	\$25,286
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Depreciation expense for the nine months ended December 31, 2015 and the year ended March 31, 2015 was \$7,741 and \$11,286, respectively.

#### **NOTE 5 – INTANGIBLE ASSETS**

##### License Agreements:

Immunovative Therapies, Ltd.

On December 12, 2011, the Company entered into a License Agreement (the “License Agreement”) with Immunovative Therapies, Ltd., an Israeli Corporation (“ITL”), pursuant to which the Company received an immediate exclusive and worldwide license to commercialize all product candidates (the “Licensed Products”) based on ITL’s current and future patents and a patent in-licensed from the University of Arizona. The license granted covers two experimental products for the treatment of cancer in clinical development called AlloStim TM and Allo Vaz TM (“Licensed Products”).

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 5 – INTANGIBLE ASSETS (CONTINUED)**

On January 8, 2013, the Company received from ITL, a notice by which ITL purported to terminate the License Agreement dated December 9, 2011 between the Company and ITL (the “ITL Notice”), along with alleged damages. It is the Company’s position that ITL breached the License Agreement by delivering the ITL Notice and, that prior to the ITL Notice, the License Agreement was in full force and, on January 17, 2013 and that the Company had complied in all material respect with the License Agreement therefore the Company believes that there are no damages to ITL. As such, on January 17, 2013, the Company filed a lawsuit against ITL, which included the request for various injunctive relief against ITL for damages stemming from this breach. On February 19, 2013, the Company and ITL entered into a settlement agreement whereby the parties have agreed to the following: (1) the Company will submit a letter to the Court advising the Court that the parties have reached a settlement and that the Company is withdrawing its motion, (2) ITL will pay the Company \$20,000, (3) ITL will issue to the Company, ITL’s share capital equivalent to 9% of the issued and outstanding shares of ITL (3,280,000 shares), (4) the Company will change its name and (5) the settling parties agree that the license agreement will be terminated. No value has been assigned to the ITL shares received, as they are deemed to be worthless. The Company, based upon its evaluation of the ITL financial statement, considered its investment in ITL to be impaired as the ITL Company had negative net worth and the funds advanced were being utilized for research, development and testing. During the nine months ended December 31, 2015, the Company sold the 3,280,000 shares for \$125,000 which is recorded in the consolidated statements of operations.

Green Hygienics, Inc.

On May 31, 2013, the Company executed a licensing agreement with GHI (see Notes 1 and 7). The Licensing Agreement with GHI will enable the Company, on an exclusive basis for North America, to market and sell 100% tree-free, bamboo-based, biodegradable, hospital grade wipes, as well as other similar products to commercial entities including medical facilities, schools, and more. The Company agreed to pay \$250,000 for the licensing rights. In addition, the Company issued 4,347,826 shares of its common stock to GHI whereas GHI’s parent company, Green Innovations Ltd. (“GNIN”) has issued the Company 625,000 shares of common stock of GNIN, valued at \$250,000. The terms of the Licensing Agreement provide for the equal recognition of profits between the Company and GHI on the sales by the Company.

The Company has paid \$143,730 of the \$250,000 licensing fee in cash and issued 2,500,000 shares of its common stock in lieu of the remaining \$106,270. The Company amortizes the licensing fee over the five-year life of the licensing agreement, and through March 31, 2014 the accumulated amortization amounted to \$34,911. At March 31, 2014, the Company determined not to pursue the marketability for the related products and considered the remaining



net value to be impaired, recording an impairment charge of \$215,089.

#### Bacterial Robotics, LLC

On October 29, 2013, the Company entered into a strategic alliance agreement between the Company and Bacterial Robotics, LLC (the Parties) to develop a relationship for the research and development of the NuclearBot Technology that will be marketed and monetized pursuant to a Definitive Agreement. Accordingly, subject to the terms of this agreement, (a) Bacterial Robotics agrees to develop a whitepaper which may be delivered as a readable electronic file, on the subject of utilizing the NuclearBot Technology in the cleansing of nuclear wastewater created in the operation of a nuclear power plant (the "Whitepaper"), which Bacterial Robotics shall deliver to the Company within ninety (90) days of the agreement, which may be extended upon mutual agreement based upon unexpected complexities, and (b) the parties agree to use commercially reasonable efforts in good faith to (1) identify prospective pilot programs, projects and opportunities for the NuclearBot Technology for the Parties to strategically and jointly pursue, (2) enter into a joint venture, in which the Company will be the majority and controlling owner, for the purpose of (A) marketing and selling products and services utilizing the NuclearBot Technology, (B) sublicensing the NuclearBot Technology and (C) owning all improvements to the NuclearBot Technology, and other inventions and intellectual property, jointly developed by the Parties and (3) negotiate terms and conditions of Definitive Agreements. As consideration for the strategic alliance, the Company issued a \$25,000 deposit upon signing the agreement. Additionally, the Company issued a 5-year warrant for up to 75,000,000 shares of the Company's common stock with a value of \$1,139,851 and an additional \$25,000 in cash. The Company amortizes the fee of \$1,189,851 over the ten-year life of the licensing agreement, and through March 31, 2014 the accumulated amortization amounted to \$48,952. At March 31, 2014, the Company determined that it was not going to pursue the market nor invest additional capital to fund the commercialization and accordingly, considered the remaining net value to be impaired recording an impairment charge of \$1,140,899.

## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 5 – INTANGIBLE ASSETS (CONTINUED)**

## Breathe Ecig Corp

On March 31, 2015, the Company entered into a license agreement with Breathe Ecig Corp. (which has subsequently changed its name of White Fox Ventures, Inc.) (“Breathe”) whereby the Company issued 10,869,565 shares of its common stock, valued at \$100,000, to Breathe for certain licensing rights, as defined in the agreement. Amortization of the license fee will commence on April 1, 2015 over the two-year term of the agreement (See Note 10). As Breathe is worthless as of the date of this report, the Company has written off the entire \$100,000 value as of March 31, 2015.

License agreements consist of the cost of license fees with Breathe Ecig Corp. (\$100,000), Green Hygienics, Inc. (\$250,000) and Bacterial Robotics, LLC (\$1,189,851) at June 30, 2015 and March 31, 2015 and Green Hygienics, Inc. (\$250,000) and Bacterial Robotics, LLC (\$1,189,851) at March 31, 2014, which were both determined to be impaired as of March 31, 2014. An analysis of the cost is as follows:

	<b>December 31, 2015</b>	<b>March 31, 2015</b>	<b>Estimated Life</b>
Licensing fee	\$1,539,851	\$1,539,851	2-5 years
Less: accumulated amortization	83,863	83,863	
	1,455,988	1,455,988	
Net impairment	(1,455,988)	(1,455,988)	
Balance	\$—	\$—	

## Patents:

## Pilus Energy, LLC

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The Company, through the acquisition of Pilus Energy on January 28, 2014, acquired a patent to develop cleantech energy using proprietary microbiological solution that creates electricity while consuming polluting molecules from wastewater. On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently. The cost of the patent and related amortization at December 31, 2015 and March 31, 2015 is as follows:

	Fair Value	Estimated Life
Cash advanced on signing the memorandum of understanding and closing agreement	\$ 100,000	16.5 years
Fair value of the warrant for 100,000,000 shares of the Company's common stock	1,710,000	
Total	1,810,000	
Less amortization in the year ended March 31, 2015	18,540	
Net value at March 31, 2015 prior to impairment	\$ 1,791,460	
Impairment in the year ended March 31, 2015	1,791,460	
Net value as of March 31, 2015	—	
Activity – 2016	—	
Net value as of December 31, 2015	\$—	

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6 – EMBEDDED DERIVATIVES – FINANCIAL INSTRUMENTS**

The Company entered into several financial instruments, which consist of notes payable, containing various conversion features. Generally, the financial instruments are convertible into shares of the Company's common stock; at prices that are either marked to the volume weighted average price of the Company's intended publicly traded stock or a static price determinative from the financial instrument agreements. These prices may be at a significant discount to market determined by the volume weighted average price once the Company completes its reverse acquisition with the intended publicly traded company. The Company for all intent and purposes considers this discount to be fair market value as would be determined in an arm's length transaction with a willing buyer.

The Company accounts for the fair value of the conversion feature in accordance with ASC 815-15, Derivatives and Hedging; Embedded Derivatives, which requires the Company to bifurcate and separately account for the conversion features as an embedded derivative contained in the Company's convertible debt and original issue discount notes payable. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component in its results of operations. The Company valued the embedded derivatives using eight steps to determine fair value under ASC 820. (1) Identify the item to be valued and the unit of account. (2) Determine the principal or most advantageous market and the relevant market participants. (3) Select the valuation premise to be used for asset measurements. (4) Consider the risk assumptions applicable to liability measurements. (5) Identify available inputs. (6) Select the appropriate valuation technique(s). (7) Make the measurement. (8) Determine amounts to be recognized and information to be disclosed.

As of March 31, 2015, the value of the derivative liability associated with the convertible notes was \$90,000 associated with the Class B warrants issued to Hanover Holdings I, LLC, as the warrants had been converted into shares of common stock during the three months ended June 30, 2015. In the nine months ended December 31, 2015, as a result of the Union Note which contains an anti-ratchet clause, the Company recorded a derivative liability in the amount of \$200,058 (as a result the entire note was discounted). In the period April 1, 2015 through December 31, 2015, the Company recognized a loss on the fair value of the derivative liability in the amount of \$150,244 bringing the fair value of the derivative liability to \$494,629

**NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE**

Convertible Notes Payable Institutions

During the year ended March 31, 2014, the Company entered into a number (approximately 30) of convertible note debentures and recorded gross proceeds of \$2,037,000 with interest rates ranging from 5% to 12%. All of the note agreements had conversion features which allow the note holder to convert the debenture into common stock of the Company. The conversion price, which is discounted, was based upon either the lowest trading price for a period ranging between 20 and 25 days prior to the date of the notice of conversion or an average of the previous 20 to 25 days prior to conversion. Due to the variable characteristic of the notes, the Company had concluded that a derivative liability existed at the date of issuance and accordingly had recorded a derivative liability for each note. During the year ended March 31, 2015, 14 notes were converted to common stock and one was paid in cash and as of March 31, 2015 there were no convertible notes outstanding and no derivative liability associated with any of the notes payable. As of March 31, 2014, fifteen convertible notes were outstanding. The balance of the convertible notes at March 31, 2014 was \$263,917. The related derivative liability was \$1,581,119 at March 31, 2014.

During the year ended March 31, 2015, 61,726,433 and shares of common shares, were issued to convert \$1,497,594 in convertible notes, derivative liabilities and accrued interest, respectively.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)**

Union Capital, LLC

On May 28, 2015 the Company entered into a Securities Purchase Agreement (the “Union Purchase Agreement”) with Union Capital, LLC (“Union”) for the purchase of a 7% Convertible Redeemable Note in the principal amount of \$104,000 with a maturity date of May 28, 2016 (the “Union Note”). The Company received gross proceeds of \$100,000 under the Union Note. The Company granted Union 12,500,000 shares of Company common stock for a commitment fee in consideration of the Union Note. Pursuant to the terms of the Union Note, at any time Union may convert any principal and interest due to it at a 20% discount to the lowest closing bid price of Company common stock for the five trading days prior to the conversion notice. Additionally, the discount will be adjusted on a ratchet basis in the event the Company offers a more favorable discount rate or look-back period to a third party during the term of the Union Note. Union will not be allowed to convert into shares of common stock that would result in it beneficially owning more than 9.99% of the Company’s issued and outstanding common stock. The Company may prepay the amounts under the Union Note as follows: (i) if prepaid within ninety days, the Company must pay a 15% premium on all principal and interest outstanding and (ii) if prepaid after ninety days but before the one hundred and eighty-one day, the Company must pay a 30% premium on all principal and interest outstanding. The Company intends to use its best efforts to repay the Union Note within the first ninety days. The Company agreed to reserve 33,000,000 shares of its common stock to satisfy its obligations under the Union Note. This reserve will be increased to three times the number of shares of common stock upon the approval of the Company’s stockholders of an increase in the number of authorized shares of common stock. The Company agreed to call a special meeting solely for such purpose with fifteen days of the Union Note. The \$104,000 remains outstanding at December 31, 2015 (reflected as a derivative liability), and the \$4,000 discount was expensed in the three months ended June 30, 2015.

As a provision of this note, the Company shall have its common stock delisted from a market (including the OTCQB marketplace) shall be considered an event of default. As of July 15, 2015 with the Company’s delisting from the OTCQB Exchange resulting for failure to timely file the Company’s annual report with the Securities and Exchange Commission (“SEC”) violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

Due to the breach under common stock delisting from market the outstanding principal due under this note shall be increased by 50%. The new principal balance of the note increased to \$156,000 with accrued interest of \$18,190.

Upon the event of default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. Additionally, in the event of a breach of deliver to the holder the common stock without restrictive legend shall include the penalty of \$250 per day should the shares are not issued beginning on the 4<sup>th</sup> day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day.

#### Group 10 Holdings LLC

On July 14, 2015, the Company entered into an \$96,000 20% OID convertible debenture with Group 10 Holdings LLC. Along with this note, 15,000,000 commitment shares were issued to the holder, earned in full upon purchase of debenture. This note bears 12% interest per annum with a default interest rate of the lesser of 18% or the or the maximum rate permitted under applicable law, effective as of the issuance date of this debenture (“default interest rate”.) If any event of default occurs, the outstanding principal amount of this debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at holder’s election, immediately due and payable in cash in the sum of (a) one hundred eighteen percent (118%) of the outstanding principal amount of this debenture plus one hundred percent (100%) of accrued and unpaid interest thereon and (b) all other amounts, costs, expenses and liquidated damages due in respect of this debenture (“Mandatory Default Amount”). After the occurrence of any event of default, the interest rate on this debenture shall accrue at an interest rate equal the default interest rate.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)**

Subject to the approval of holder for prepayments after one hundred eighty (180) days, borrower may prepay in cash all or any portion of the principal amount of this debenture and accrued interest thereon, with a premium, as set forth below (“prepayment premium”), upon ten (10) business days prior written notice to holder. Holder shall have the right to convert all or any portion of the principal amount and accrued interest thereon. The amount of each prepayment premium shall be as follows: (a) one hundred twenty-five percent (125%) of the prepayment amount if such prepayment is made at any time from the issuance date until thirty (30) days thereafter; (b) one hundred thirty-five percent (135%) of the prepayment amount if such prepayment is made at any time from thirty-one (31) days after the issuance date until one hundred seventy-nine (179) days after the issuance date; and (c) one hundred forty-five percent (145%) of the prepayment amount if such prepayment is made at any time after one hundred eighty (180) days from the issuance date.

The holder shall have the right, but not the obligation, at any time after the issuance date and until the maturity date, or thereafter during an event of default, to convert all or any portion of the outstanding principal amount, accrued interest and fees due and payable thereon into fully paid and non-assessable shares of common stock of borrower at the conversion price, (the “conversion shares”) which shall mean the lesser of (a) sixty percent (60%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one half penny (\$0.005).

If the market capitalization of the borrower is less than eight hundred thousand dollars (\$800,000) on the day immediately prior to the date of the notice of conversion, then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)). Additionally, if the closing price of the borrower’s common stock on the day immediately prior to the date of the notice of conversion is less than \$0.002 then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price as of the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)).

Borrower agrees to pay late fees to holder for late issuance of such shares in the form required pursuant to convertible debenture agreement upon conversion thereof, in the amount equal to one thousand dollars (\$1,000) per business day after the delivery date.



The holder, shall reserve not less than five times the aggregate number of shares of the common stock that shall be issuable upon the conversion of the outstanding principal amount of this debenture and payment of interest hereunder. Initially, the share reserve shall be equal to two hundred million (200,000,000), and shall be adjusted by the transfer agent from time to time to comply with the required reserve. The holder may request bi-monthly increases to reserve such amounts based on a conversion price equal to the lowest closing price, as defined in the debenture, as of such date, by written instructions from the Holder to the Transfer agent.

The note also contains a most favored nations status provision whereby the borrower or any of its subsidiaries issue any security (in an amount under one million dollars (\$1,000,000)) with any term more favorable to the holder such more favorable term, at holder's option, shall become a part of the transaction documents with holder.

As of July 15, 2015 with the Company's delisting from the OTCQB Exchange resulting for failure to timely file the Company's annual report with the Securities and Exchange Commission ("SEC") violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

Due to the breach under common stock delisting from market the outstanding principal due under this note shall be increased by 18%. The new principal balance of the note increased to \$113,280 with accrued interest of \$9,417.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)**

Convertible Notes Payable to Individuals

The Company at December 31, 2015 and March 31, 2015 had \$253,775 (\$18,000 of which is to a related party) and \$48,775, respectively of notes payable to individuals. The notes are convertible into common stock of the Company at \$0.025 per share. The interest rates range between 3% and 8% per annum and the notes are unsecured. During the nine months ended December 31, 2015, no notes were converted to common stock. During the year ended March 31, 2015, three notes were converted to common stock. One of the notes is to a related party – see Note 8 in the amount of \$18,000.

On June 1, 2015, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with various accredited investors for the sale of certain debentures with aggregate gross proceeds to the Company of \$133,000. Pursuant to the terms of the agreement, the investors were granted 13,300,000 shares of Company common stock for a commitment fee. These shares have not yet been issued. Additionally, the Company was required to repay the amounts raised under the Purchase Agreement prior to December 1, 2015 except as described below. The Purchase Agreement provides the Company with the following prepayment options: (i) if prepaid prior to August 31, 2015, the Company must pay each investor the amount invested plus a 10% premium and (ii) if prepaid after August 31, 2015 but prior to December 1, 2015, the Company must pay each investor the amount invested plus a 20% premium. In the event the Company has not repaid the amounts as described above, on December 1, 2015 the Company has the option to convert all amounts raised under the Purchase Agreements into shares of common stock based on a 20% discount to the Company’s VWAP (as defined in the Purchase Agreement) for the three Trading Days (as defined in the Purchase Agreement) prior to December 1, 2015. The Company intends to use its best efforts to repay the amounts under the Purchase Agreement prior to August 31, 2015. Excluding the 13,300,000 commitment shares, in May 2016 the Company agreed to issue 33,900,000 shares of its common stock to settle all obligations under these Purchase Agreements.

Non-convertible Debt Financing

Alternative Strategy Partners PTE Ltd.

On September 23, 2015, the Company entered into a debt facility of \$180,000 in non-convertible debt financing from Singapore-based institutional investor Alternative Strategy Partners PTE Ltd. (“ASP”). The debt carries a fixed interest rate per annum of 11.50% (“the Designated Rate”) payable in full by December 23, 2015 (“the Maturity Date”). Both parties have discussed the possibility of amending terms, if necessary, under the assumption that both parties mutually agree to such amendment. The Company received cash from the note of \$90,000 (\$75,000 wired directly to the Company and \$15,000 wired directly from ASP to compensate a consultant).

The balance of this \$180,000 or the other \$90,000 was wired directly to a Japanese based consumer product firm called Eishin, Inc.

The Company had entered into an agreement to acquire common shares equivalent to 20.1% of Eishin Co., Ltd. (“Eishin”), a high growth Japan-based company focusing on providing solutions to improve automobile combustion efficiency. “Eco-Spray”, Eishin’s key product made from 100% natural ingredients, is distributed in numerous Asian markets including China, Japan, Korea, India, UAE, Bangladesh, Cambodia, Philippines and Myanmar, and is currently being tested for expansion in North America. The Company has agreed to make an investment in Eishin for a total of \$180,000, of which half was paid on October 1, 2015 and the remainder to be paid by the end of October 31, 2015. The initial \$90,000 that was to be used to purchase 20.1% ownership of Eishin was never funded by ASP and the shares were never transferred. Additionally, the Company did not invest any other funds to acquire any ownership in Eishin.

The Company has not received any type of default notice with respect to this \$180,000 non-convertible debenture. Additionally, the Company has not received any shares in Eishin Co., Ltd. up to this point. The Company is currently in discussions with ASP to amend the original terms of this non-convertible debenture. Specifically, to reduce the face value of this note from \$180,000 to \$90,000 and forgo receipt of any shares of Eishin Co., Ltd.

Lastly on October 9, 2015, ASP Managing Director (Yuhi Horiguchi) notified the Company via email that any and all warrants that had been previously mentioned in the \$180,000 note were fully cancelled. So there are no warrants in existence, in accordance with this \$180,000 non-convertible debenture. Nor have there been any defaults that ASP has notified the Company.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7 – CONVERTIBLE NOTES AND NOTES PAYABLE (CONTINUED)**

Other

On October 19, 2012, the Company entered into a one-year convertible promissory note agreement for \$445,000 with JMJ Financial, a California based institutional investor. The note is non-interest bearing for the first 90 days and subsequent to that, the note has an interest rate of 5% per annum. The note, at the holder's option, is convertible at \$0.15 per share and if the price per share at the time of conversion is greater than \$0.15 per share, on average for the previous 25 trading days, the conversion rate shall have a 25% discount, with the minimum price of \$0.15 per share. The Company paid an origination fee of 200,000 shares of its common stock to secure the loan. On November 14, 2012, the Company received \$150,000 and an additional \$25,000 on March 27, 2013. The 25% discount created a beneficial conversion feature at the commitment date aggregating \$37,500 representing a discount which is being accreted monthly from the issuance date of the note through maturity and is recorded as additional interest expense. At March 31, 2013, the loan balance was \$106,425, net of unamortized discount of \$68,575. On June 3, 2013 the Company issued 9,900,000 shares of its common stock to convert the note. Under the terms of the original agreement, approximately 4,125,000 shares were required to be issued. To entice the conversion, the Company issued an additional 5,775,000 shares resulting in a loss on conversion of \$321,000 in the year ended March 31, 2014. The balance under this note as of June 30, 2015 and March 31, 2015 was \$0.

Interest expense for the three and nine months ended December 31, 2015 was \$15,609 and \$20,410 compared to the same period in the prior year of \$48,180 and \$184,942, respectively. Accrued interest at December 31, 2015 and March 31, 2015 was \$55,611 and \$14,431, respectively.

**NOTE 8 – RELATED PARTIES**

On May 31, 2013, the Company executed a licensing agreement with GHI (see Notes 1 and 5). The Company's former CFO, Bruce Harmon, is also the CFO and Chairman of Green Innovations Ltd., the parent company of GHI.

On May 27, 2015, the Company issued a six-month convertible note to a related party in the amount of \$18,000. Note contains bonus commitment shares equal to 1 cent per share for every \$5,000 invested or 1,800,000 shares of the

Company's common stock, par value \$0.001.

## **NOTE 9 – STOCKHOLDERS' DEFICIT**

### Common Stock

The Company is authorized to issue 2,500,000,000 shares of its common stock. Effective December 31, 2015, 957,070,933 shares of common stock are outstanding.

On July 9, 2015, the Company's Board of Directors ("BOD") approved an amendment to the Company's Articles of Incorporation to increase the Company's authorized common stock from 1,000,000,000 to 2,500,000,000 shares and on July 17, 2015, the Company filed Schedule 14A with the Securities and Exchange Commission calling for a special meeting of the stockholders that was held on July 27, 2015 to approve the amendment.

### Fiscal Year 2014

During the year ended March 31, 2014, the Company issued to its current and former chief executive officer a total of 31,720,000 shares of its common stock at prices ranging from \$0.02 to \$0.09 per share for services.

During the year ended March 31, 2014, the Company issued collectively 191,604,392 shares of its common stock at prices ranging from \$0.01 to \$0.09 per share for the conversion of a \$1,341,305 convertible debt.

During the year ended March 31, 2014, the Company issued to various consultants collectively 140,945,200 shares of its common stock at prices ranging from \$0.01 to \$0.09 per share.

During the year ended March 31, 2014, the Company issued 1,500,000 at \$0.04 per share in settlement of legal fees.

During the year ended March 31, 2014, the Company issued 10,500,000 shares at \$0.02 to \$0.03 per share for a commitment fee relating to a convertible debt arrangement.



TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)**

During the year ended March 31, 2014, the Company issued 4,347,826 shares of its common stock to Green Hygienics in connection with a license agreement.

During the year ended March 31, 2014, the Company issued 2,500,000 shares to fully pay up the Green Hygienics license fee. The shares were valued at \$0.04 per share totaling \$106,250.

In connection with the acquisition of Pilus Energy (See note 5), in January 2014, the Company issued a warrant to purchase 100,000,000 Shares of the Company’s common stock at \$0.02 per share. The warrant was valued at \$1,710,000 using the Black-Scholes Pricing Model.

During the year ended March 31, 2014, the Company issued 36,644,631 shares of common stock for cash at prices ranging from \$0.03 to \$0.06 per share.

In connection with the strategic license agreement with Bacterial Robotics, LLC, the Company issued on October 29, 2013 a warrant to acquire up to 75,000,000 Shares of the Company’s Common stock. The Warrant was valued at \$1,139,851 utilizing the Black-Scholes option pricing Model.

During the year ended March 31, 2014, the Company issued 860,000 shares to the Company’s former chief financial officer at prices ranging from \$0.02 to \$0.07 per share.

Fiscal Year 2015

During the year ended March 31, 2015, the Company issued 61,413,497 shares of common stock at prices ranging from \$0.01 to \$0.09 per share for the conversion of notes and accrued interest to financial institutions valued at

\$1,489,771.

During the year ended March 31, 2015, the Company issued 312,936 shares of common stock at \$0.025 per share for the conversion of notes and accrued interest to individuals in the amount of \$7,823.

During the year ended March 31, 2015, the Company issued 69,175,657 shares of common stock at prices ranging from \$0.01 to \$0.06 per share for cash of \$1,118,500 and 2,890,000 shares at prices ranging from \$0.01 to \$0.02 per share, valued at \$44,300, and \$56,000 cash for commissions on sales of common stock.

During the year ended March 31, 2015, the Company issued 4,200,000 shares of common stock to its chief executive officer at prices ranging from \$0.01 to \$0.07 per share, valued at \$119,000, for services.

During the year ended March 31, 2015, the Company issued 40,255,837 shares of common stock to various consultants and advisory board members at prices ranging from \$0.01 to \$0.07 per share, valued at \$299,123 (net of \$670,362 not vested).

During the year ended March 31, 2015, the Company issued 1,250,000 shares of common stock at \$0.04 per share, valued at \$50,000, to a financial institution for a fee to convert a convertible debenture.

During the year ended March 31, 2015, the Company issued 2,697,369 shares of common stock at \$0.02 per share for additional financing costs, valued at \$53,947.

During the year ended March 31, 2015, the Company issued 26,660,143 shares of common stock through cashless exercises of warrants at effective prices of \$0.02 and \$0.03 per share.

During the year ended March 31, 2015, the Company issued 12,211,400 shares of common stock valued at \$147,500 issuable pursuant to a warrant exercised under a securities purchase agreement in the initial amount of \$250,000.

During the year ended March 31, 2015, the Company issued 20,000,000 shares of common stock valued at \$104,144 pursuant to a settlement agreement.



Effective March 31, 2015, the Company issued 10,869,565 shares of common stock valued at \$100,000 pursuant to a license agreement.

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)**

*Fiscal Year 2016*

On June 27, 2014, \$250,000 in cash was released from escrow pursuant to a securities purchase agreement with Hanover Holdings I, LLC (“Hanover I”), as amended April 17, 2014, associated with the Company’s acquisition of Honeywood (see Note 1) and filing of a registration statement registering Company securities, whereby the Company agreed to issue shares of its common stock under a Class A and Class B warrant, as defined in the amended agreement. The Class A warrant provided for a fixed exercise price of \$0.05 per share; the Class B warrant provided for an initial exercise price of \$0.05, however, upon a drop of the market price below \$0.05 based on the closing price of the Company’s common stock for a period of three consecutive trading days, the Class B warrant shall carry a call option premium of 135% and shall require payment of the shares within 5 business days in the form of either cash or a conversion into shares of the Company’s common stock based on the closing share price on the three days prior. As the securities purchase agreement was entered into in anticipation of the Honeywood acquisition and the filing of a registration statement, neither of which occurred, the Company and Hanover I informally have agreed to regard the \$250,000 investment as an exercise under the terms of the Class B warrant. As a result, shares of Company common stock are to be issued, based on the call option premium amount of \$337,500, upon the request of Hanover I. During the year ended March 31, 2015, 12,211,400 shares of common stock with a value of \$147,500 have been issued to Hanover I. As of March 31, 2015, common stock valued at \$190,000, 29,188,403 shares, is issuable to Hanover I. These shares have been issued as of June 3, 2015.

For the nine months ended December 31, 2015, the Company issued 27,500,000 common shares as commitment shares valued at \$191,000, in conjunction with the issuance on two convertible notes in the aggregate amount of \$200,000 (\$104,000 and \$96,000), each convertible note payable matures one-year after issuance, bearing interest rates of 7 - 12% annual interest, increasing to 18-24% default interest.

For the nine months ended December 31, 2015, the Company issued 840,000 shares of common stock to the Chief Executive Officer and V.P. Strategic Planning from \$0.003 to \$0.01, totaling \$6,510.

For the nine months ended December 31, 2015, the Company issued 535,000 shares of common stock as share based compensation at prices ranging from \$0.003 to \$0.01, totaling \$4,985.

For the nine months ended December 31, 2015, the Company issued 41,250,000 shares of common stock for advisory and investor relation services at a price of \$0.002 per share, totaling \$82,087.

For the nine months ended December 31, 2015, the Company issued 4,000,000 shares of common stock along with \$8,000 in cash to settle a liability of a consultant who provided services for the Company from August 2013 through October 2013. The stock was valued at \$0.002 per share, totaling \$8,000.

In connection with the consulting agreements and the board advisory agreements, certain agreements have as part of the compensation arrangements, the following clauses: a) the consultant will be reimbursed for all reasonable out of pocket expenses, b) to the extent the consultant introduces the Company to any sources of equity or debt arrangements, the Company agrees to pay 8% to 10% in cash and 8% to 10% in common stock of the Company of all cash amounts actually received by the Company and 2% for debt arrangements, and c) the Company, in its sole discretion, may make additional cash payments and/or issue additional shares of common stock to the consultant based upon the consultant's performance.

## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)***Warrants for Common Stock*

The following table summarizes warrant activity for the nine months ended December 31, 2015 and the year ended March 31, 2015:

	Shares	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2014	175,200,000	\$ 0.02	5.86 Years	\$10,050,000
Granted	41,399,803	0.01		
Expired	(200,000 )	(0.40 )		
Exercised	(38,871,543 )	(0.02 )		
Canceled	(71,036,328 )	(0.03 )		
Outstanding at March 31, 2015	106,491,932	\$ 0.02	4.49 Years	\$10,050,000
Granted	-	-		
Expired	-	-		
Exercised	(29,188,403 )	(0.01 )		
Canceled	-	-		
Outstanding and exercisable at December 31, 2015	77,303,529	\$ 0.02	4.33 Years	\$—

The warrants were valued utilizing the following assumptions employing the Black-Scholes Pricing Model:

Nine	Year Ended
Months	March 31,

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Ended 2015  
December  
31, 2015

Volatility	179	%	179	%
Risk-free rate	0.39	%	0.39	%
Dividend	—		—	
Expected life of warrants	1.14 Years		1.89 Years	

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## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)****Stock Options**

On February 1, 2012, the Company awarded to each of two former executives options to purchase 5,000,000 common shares, an aggregate of 10,000,000 shares. These options vested immediately and were for services performed. The Company recorded stock-based compensation expense of \$1,400,000 for the issuance of these options. The following weighted average assumptions were used for Black-Scholes option-pricing model to value these stock options:

Volatility	220 %
Expected dividend rate	-
Expected life of options in years	10
Risk-free rate	1.87 %

The following table summarizes option activity for the three months and year ended December 31, 2015 and March 31, 2015:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2014	10,000,000	\$ 0.10	7.85 Years	\$ —
Granted	—	—		
Expired	—	—		
Exercised	—	—		
Outstanding at March 31, 2015	10,000,000	\$ 0.10	6.85 Years	\$ —
Granted	—	—		
Expired	—	—		

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Exercised	—	—			
Outstanding and exercisable at December 31, 2015	10,000,000	\$ 0.10	6.10 Years	\$	—

Stock-based compensation for the nine months ended December 31, 2015 and 2014 was \$589,635 and \$874,065, respectively.

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TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

On September 5, 2014, the Company's transfer agent issued to Typenex Co-Investment, LLC ("Typenex") 70,080,714 shares of the Company's common stock (the "Shares") without a restrictive legend pursuant to a demand letter by Typenex to the transfer agent under a purported warrant issued in connection and arising from a convertible promissory note issued by the Company to Typenex on June 24, 2013 and subsequently terminated by an exchange and release agreement between the Company and Typenex on March 21, 2014. In response to its transfer agent's actions, the Company filed for a preliminary injunction against Typenex and its transfer agent on September 8, 2014 in the Circuit Court for the 13th Judicial Circuit in and for Hillsborough County Florida (the "Court"), Case No. 12-CA-009076. On September 9, 2014, the Court issued the preliminary injunction requested by the Company against its transfer agent and Typenex. On October 9, 2014, subsequent to a hearing before the Court on September 3, 2014 requested by Typenex to vacate the preliminary injunction, the Court denied the request to vacate the injunction, indicating the Company had a substantial likelihood of success on the merits. The Court further ordered that the Shares be treated as cancelled on the books of the Company's transfer agent. The Company believes all of Typenex's claims to the Shares are frivolous and without merit. Additionally, the Company is contemplating the claims it has against Typenex. On January 16, 2015, the Company and Typenex entered into a settlement agreement whereas (i) Typenex has agreed to purchase, under a securities purchase agreement, an aggregate of \$300,000 of shares of Company common stock, in three separate but related \$100,000 tranches as defined in the agreement, at a price of 150% of the five day average closing sale price for the five trading days immediately preceding each tranche purchase; (ii) the Company will issue to Typenex 10,000,000 shares of Company common stock; (iii) if the net sales proceeds Typenex receives from the sale or transfer of the 10,000,000 shares is less than \$600,000, the Company will, from time to time, issue Typenex additional shares so that the net sales proceeds equal, but do not exceed, \$600,000. The Company has agreed to increase the authorized shares, if needed, to issue the shares pursuant to this agreement. The Company recorded a \$600,000 charge for financing expense and share liability as of and for the year ended March 31, 2015. Through June 30, 2015, the Company issued 20,000,000 shares of common stock to Typenex of which Typenex sold shares and received \$104,144 in net sales proceeds. Additionally, in February 2015, Typenex completed its initial share purchase under the agreement purchasing 4,278,990 shares for \$100,000, approximately \$0.02 per share.

On June 1, 2015, the Company and Typenex entered into a Settlement Agreement (the "Agreement") whereby both the Company and Typenex have agreed to settle all claims and obligations under the January 16, 2015 settlement agreement (the "Prior Settlement Agreement") in consideration of the Company paying Typenex the amount of \$230,000, which was paid on June 2, 2015. Through the date of the Agreement Typenex earned approximately \$169,000 in net sales proceeds from the sale of shares issued under the Prior Settlement Agreement.

Commitments



On February 26, 2014, Dr. Stella M. Sung was appointed Chief Executive Officer (“CEO”). Dr. Sung previously served as Chief Operating Officer under a two-year employment agreement dated April 15, 2013. In conjunction with her appointment as CEO, the terms of her employment agreement were amended to provide for the following: (i) salary of \$8,000 per month for March and April 2014, with a salary increase to \$14,000 per month commencing on May 1, 2014 and thereafter; (ii) a one-time \$25,000 cash bonus once the Company completes a minimum private placement financing of \$750,000; (iii) a monthly restricted share allotment of 150,000 common shares effective May 1, 2014; (iv) a one-time S-8 share allotment of 2,500,000 common shares payable on May 27, 2014 or 90 days subsequent to her appointment as CEO; (v) other customary benefits.

On August 22, 2012, the Company entered into an employment agreement with Seth M. Shaw, its then CEO. The agreement provides for annual compensation of \$132,000. Mr. Shaw previously elected to forgo cash compensation and receive 60,000 shares of the Company’s common stock on a monthly basis. However, as the only principal officer and director, he decided to take the cash compensation as well. Effective February 26, 2014, Mr. Shaw resigned as CEO, Chairman and Officer and was appointed to the position of Vice President, Strategic Planning at which time his employment agreement was amended as follows: (i) salary of \$8,000 per month for March and April 2014, with a salary increase to \$9,500 per month commencing on May 1, 2014 and thereafter; (ii) a one-time \$25,000 cash bonus once the Company completes a minimum private placement financing of \$750,000; (iii) a monthly restricted share allotment of 60,000 common shares which continue as under his prior agreement; (iv) other customary benefits. On May 27, 2014 or 90 days subsequent to his resignation as CEO, Mr. Shaw shall be deemed a non-affiliate. Effective July 1, 2014, Mr. Shaw’s monthly salary was revised to \$6,500 per month.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On July 9, 2015, Dr. Sung submitted her resignation as Chief Executive Officer, Chief Financial Officer (“CFO”) and a member of the BOD. Simultaneously with Dr. Sung’s resignation, the BOD appointed Mr. Shaw as the Chairman of the BOD and its new Chief Executive Officer and appointed Ghalia Lahlou as its new interim Chief Financial Officer.

In connection with the Company’s employment contracts, the Company has no future commitments for the nine months ended December 31, 2015.

On September 24, 2014, in connection with the Company’s termination of the acquisition agreement with Honeywood, the Company and Honeywood entered into a license and supply agreement, whereby the Company, as defined in the agreement, is granted certain license and distribution rights to sell and distribute products offered for distribution by Honeywood. Among other terms, the license is nonexclusive, worldwide, irrevocable, fully paid-up and royalty-free. Unless earlier terminated, as defined in the agreement, the license will automatically renew annually for the initial one-year term and five successive renewal terms.

On July 15, 2014, the Company entered into a non-exclusive license agreement with Targeted Medical Pharma, Inc. (“Targeted”) whereby Targeted granted the Company the right to sell certain dietary supplements based on Targeted’s formulations on a non-exclusive basis. Pursuant to the agreement, the Company paid targeted \$20,000 which was considered an advance against any royalty payments due Targeted on the first 20,000 1-month supply bottles sold by the Company, as defined in the agreement. Thereafter, the royalty payment increases to \$2.50 per 1-month supply bottle. In addition, there are provisions for certain revenue-based milestone payments, as defined in the agreement. The term of the agreement is for one year. Subsequently, the agreement was terminated by the Company simultaneously with the divestiture of the Natural Wellness business during August 2015.

On August 14, 2014, the Company entered into a consulting agreement with Dragoon Capital, Inc. (“Dragoon”), for financial advisory services, including assisting the Company in raising funds through an equity private placement. Pursuant to the agreement the Company will pay Dragoon a finder’s fee of 2% in cash and 2% in stock of all funds received by the Company through Dragoon’s direct or indirect introduction. On November 11, 2014, the Company and Dragoon amended the agreement whereas the finder’s fee was revised to 2.0% in cash and 1.0% in stock. In connection with the agreement, in November 2014, the Company issued Dragoon 280,000 shares of common stock valued at \$3,500 and paid \$7,000 cash as commission on \$350,000 in proceeds received by the Company from the sale of

common stock. The agreement expired November 30, 2014.

On August 19, 2014, the Company entered into a consulting agreement with Alternative Strategy Partners, Pty, LTD (“ASP”). ASP will provide the Company specialized consulting services including, among other services, assisting the Company in assessing and identifying viable sources of funding for equity private placements of up to \$2,500,000 and developing a business strategy in Asia. Pursuant to the agreement the Company will pay ASP a finder’s fee of 8% in cash and 9% in stock of all funds received by the Company through ASP’s direct or indirect introduction. In addition, the Company issued 4,000,000 shares of its common stock effective on the signing of the agreement and is obligated to issue an additional 3,000,000 shares of its common stock upon the Company successfully securing \$750,000 via ASP’s direct introductions. The term of the agreement is for twelve months, unless mutually extended. On November 11, 2014, the Company and ASP amended the agreement whereas (i) the number of shares issued to ASP was revised from 4,000,000 to 500,000; (ii) the finder’s fee was revised to 8.0% in cash and 4.5% in stock; and (iii) the term was extended to twelve months from the date of amendment, unless mutually extended. In connection with the agreement, in November 2014, the Company issued ASP 1,260,000 shares of common stock valued at \$15,750 and paid \$28,000 cash as commission on \$350,000 in proceeds received by the Company from the sale of common stock.

Effective March 31, 2015, the Company entered into a license agreement with Breathe Ecig Corp. (which has subsequently changed its name of White Fox Ventures, Inc.) (“Breathe”) whereby the Company issued 10,869,565 shares of its common stock, valued at \$100,000, to Breathe for certain licensing rights for a 24 month period, as defined in the agreement. Additionally, Breathe issued the Company 2,666,667 shares of its common stock, valued at \$100,000 as a prepayment towards certain commercialization fees the Company will incur, as defined in the agreement. As Breathe is not currently engaged in any business that can help the Company, the entire fee has been written off by the Company as of March 31, 2015.

## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 11 – PROVISION FOR INCOME TAXES**

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Deferred tax assets consist of the following:

	December 31, 2015	March 31, 2015
Net operating losses	\$4,820,000	\$4,600,000
Impairment of assets	2,490,000	2,490,000
Valuation allowance	(7,310,000)	(7,090,000)
	\$-	\$-

At December 31, 2015, the Company had a U.S. net operating loss carryforward in the approximate amount of \$22 million available to offset future taxable income through 2035. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods. The Company also has a Canadian carry forward loss which approximates \$700,000 and is available to offset future taxable income through 2035. The valuation allowance increased by \$220,000 and \$890,000 in the nine months ended December 31, 2015 and the year ended March 31, 2015, respectively.

A reconciliation of the Company's effective tax rate as a percentage of income before taxes and the federal statutory rate for the nine months ended December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of federal benefits	(3.3 )	(3.3 )
Foreign tax	(0.3 )	(0.3 )

Valuation allowance	37.6	37.6
	0 %	0 %

**NOTE 12 – INVESTMENTS - AVAILABLE FOR SALE SECURITIES**

The Company’s investments in Green Innovations, Ltd and Breathe Ecig Corp. are included within Current Assets as they are expected to be realized in cash within one year. The investments are recorded at fair value with unrealized gains and losses, net of applicable taxes, in Other Comprehensive Income. The Company’s investment in Green Innovations, Ltd has a cost of \$250,000, unrealized loss of \$249,562 and a fair value of \$438 at December 31, 2015. At March 31, 2015, the unrealized loss was \$245,937 and the fair value was \$4,063, respectively. The investment in Breathe Ecig Corp has been written off as of December 31, 2015 as there is no value in that company.

**NOTE 13 – CURRENT LITIGATION**

**Lawsuit Filed Against Cowan Guteski & Co. PA**

On November 4, 2015, the Company filed a lawsuit against its predecessor audit firm Cowan Guteski & Co. PA in Federal Court — Southern District Florida (Miami, Florida). The case alleges, among other things, that Cowan Guteski committed malpractice with respect to the audit of the Company’s FY 2014 financial statements (as illustrated in the PCAOB Public Censure of July 23, 2015) and then misrepresented to the Company with respect about its ability to re-issue an independent opinion for FY 2014 financial statements. On July 31, 2015, the Company was delisted from the OTCQB Exchange to the OTC Pink Limited Information Tier due to its inability to file its FY 2015 Form 10K. The lawsuit was expected by the Company and its counsel to take up to 18 months to complete, from the date it was filed (November 4, 2015).

The Company in its lawsuit seeks damages against Cowan Guteski (and its malpractice insurance policy) exceeding \$3,000,000. There is no guarantee that the Company will be successful in this lawsuit.

Subsequent to the filing of the lawsuit, the Company was notified that the lawsuit was temporarily suspended so that the Company and Cowan can attempt to mediate this case. On December 30, 2015, the Company was notified that Daniel F. Kolb was appointed as the mediator.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 13 – CURRENT LITIGATION (CONTINUED)**

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Guteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed to trial. The case is expected to proceed in Federal District Court — Southern District Florida (Miami, Florida) with an expectation that the venue will be challenged. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and debts (inclusive of liquidated damages) that exceed \$850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of \$3,000,000. That figure is expected to continually increase as additional time lapses.

On May 10, 2016, the Company was notified of an Order Reopening Case, Scheduling Order for Pretrial Conference set for December 7, 2016 before Judge Robin L. Rosenberg, Trial set for January 23, 2017 in West Palm Beach Division, and a Calendar Call set for January 18, 2017.

On June 13, 2016 a motion was filed for change of venue relative to proceeding jurisdiction from Florida to New Jersey from Florida on the basis of lack of business interest of the Company in the state of Florida. The Company has filed a response to dispute this filing and is currently awaiting a ruling.

**Arbitration – Cherry Baekert LLP**

On November 23, 2015, the Company had its arbitration date in Miami, Florida at the law office of Pollack, Pollack and Kogan against Cherry Baekert LLP (a consultant of the Company). This arbitration was concerning outstanding invoices of \$31,280 that Cherry Baekert believed was owed from the Company pursuant to two separate engagement

letters entered into in 2014. Prior to November 23, 2015, the Company had already paid \$25,000 to Cherry Baekert pursuant to these above mentioned agreements.

The arbitrator, Lawrence Saichek, ruled against the Company on December 29, 2015 awarding Cherry Baekert the full \$31,280 plus legal fee reimbursement, and court costs reimbursed. The total award was \$47,568. Since that time, the number has grown to \$51,387. On April 25, 2016, the Company made a \$15,000 payment to Cherry Baekert towards this outstanding amount. Therefore, the remaining balance is now \$36,387. In addition, Cherry Baekert, as a good faith measure, granted the Company until June 30, 2016 to pay the balance. The Company wired the final amount due on June 28, 2016.

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## TAURIGA SCIENCES, INC. AND SUBSIDIARY

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 14 – FAIR VALUE MEASUREMENTS**

The following summarizes the company's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2015 and March 31, 2015

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investment-available-for-sale security	\$438	\$ -	\$-	\$438
<b>Liabilities</b>				
Derivative liabilities	\$-	\$	\$494,629	\$494,629

	March 31, 2015			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investment-available-for-sale security	\$4,063	\$ -	\$-	\$4,063
<b>Liabilities</b>				
Derivative liabilities	\$-	\$	\$90,000	\$90,000

The estimated fair values of the Company's derivative liabilities are as follows:

	Convertible Notes	Derivative Liability	Total
<b>Liabilities Measured at Fair Value</b>			
Balance as of March 31, 2014	\$ 263,917	\$ 1,581,119	\$ 1,845,036
Revaluation (gain) loss	-	253,625	253,625



Issuances, net	(263,917 )	(1,744,744)	(2,007,661)
Balance as of March 31, 2015	\$-	\$90,000	\$90,000
Revaluation (gain) loss	-	494,629	494,629
Issuances, net	-	(90,000 )	(90,000 )
Ending balance as of December 31, 2015	\$-	\$494,629	\$494,629

**NOTE 15 – SUBSEQUENT EVENTS****Common Stock Issuances**

Subsequent to December 31, 2015, the Company issued additional shares of common stock as follows: (i) 266,500,000 shares to consultants and board members (ii) 19,300,000 shares issued as commitment shares to the holder of a convertible note (iii) 27,250,000 shares issues via private placement and (iv) 33,900,000 shares in conversion of convertible notes.

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – SUBSEQUENT EVENTS (CONTINUED)**

**Lawsuit Filed Against Cowan Guteski & Co. PA**

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Guteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed to trial. The case is expected to proceed in Federal District Court — Southern District Florida (Miami, Florida) with an expectation that the venue will be challenged. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and debts (inclusive of liquidated damages) that exceed \$850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of \$3,000,000. That figure is expected to continually increase as additional time lapses.

On May 10, 2016, the Company was notified of an Order Reopening Case, Scheduling Order for Pretrial Conference set for December 7, 2016 before Judge Robin L. Rosenberg, Trial set for January 23, 2017 in West Palm Beach Division, and a Calendar Call set for January 18, 2017.

On June 13, 2016 a motion was filed for change of venue relative to proceeding jurisdiction from Florida to New Jersey from Florida on the basis of lack of business interest of the Company in the state of Florida. The Company has filed a response to dispute this filing and is currently awaiting a ruling.

**Corporate Issues**

On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of Pilus IP (US Patent # 8,354,267.) The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

### **Convertible Notes Payable**

#### Group 10 Holdings LLC

On August 3, 2016, the Company entered into a \$48,000 convertible debenture with OID in the amount of \$8,000 with Group 10 Holdings LLC. Along with this note, 8,000,000 commitment shares must be issued to the holder within 15 days or an event of default will have occurred (shares were issued on August 4, 2016), earned in full upon purchase of the debenture. This debenture bears 12% interest per annum with a default interest rate of the lesser of 18% or the or the maximum rate permitted under applicable law, effective as of the issuance date of this debenture (“default interest rate”). If any event of default occurs, the outstanding principal amount of this debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at holder’s election, immediately due and payable in cash in the sum of (a) one hundred eighteen percent (118%) of the outstanding principal amount of this debenture plus one hundred percent (100%) of accrued and unpaid interest thereon and (b) all other amounts, costs, expenses and liquidated damages due in respect of this debenture (“mandatory default amount”). After the occurrence of any event of default, the interest rate on this debenture shall accrue at an interest rate equal the default interest rate.

Subject to the approval of holder for prepayments after one hundred eighty (180) days, borrower may prepay in cash all or any portion of the principal amount of this debenture and accrued interest thereon, with a premium, as set forth below (each a “prepayment premium”), upon ten (10) business days prior written notice to holder. Holder shall have the right to convert all or any portion of the principal amount and accrued interest thereon during such ten (10) business day notice period. The amount of each prepayment premium shall be as follows: (a) one hundred forty-five percent (145%) of the prepayment amount if such prepayment is made at any time from the issuance date until the maturity date.

The holder shall have the right, but not the obligation, at any time after the issuance date and until the maturity date, or thereafter during an event of default, to convert all or any portion of the outstanding principal amount, accrued interest and fees due and payable thereon into fully paid and non-assessable shares of common stock of borrower at the conversion price, (the “conversion shares”) which shall mean the lesser of (a) sixty percent (60%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the notice of conversion is given (which represents a discount rate of forty percent (40%)) or (b) one-half of a penny (\$0.005.)

TAURIGA SCIENCES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – SUBSEQUENT EVENTS (CONTINUED)**

If the market capitalization of the borrower is less than two million dollars (\$2,000,000) on the day immediately prior to the date of the notice of conversion, then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to the date a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)). Additionally, if the closing price of the borrower's common stock on the day immediately prior to the date of the notice of conversion is less than two-tenths of a penny (\$0.002) then the conversion price shall be twenty-five percent (25%) multiplied by the lowest closing price during the thirty-five (35) trading days prior to a notice of conversion is given (which represents a discount rate of seventy-five percent (75%)).

The note also contains a most favored nations status provision whereby the borrower or any of its subsidiaries issue any security (in an amount under one million dollars (\$1,000,000)) with any term more favorable to the holder such more favorable term, at holder's option, shall become a part of the transaction documents with holder.

At all times during which this debenture is outstanding, borrower shall reserve and keep available from its authorized and unissued shares of common stock (the "share reserve") for the sole purpose of issuance upon conversion of this debenture and payment of interest on this debenture, free from preemptive rights or any other actual or contingent purchase rights of persons other than holder, not less than five times the aggregate number of shares of the common stock that shall be issuable the conversion of the outstanding principal amount of this debenture and payment of interest hereunder. Initially, the share reserve shall be equal to one hundred fifty million (150,000,000) shares. The holder may request bi-monthly increases to reserve such amounts based on a conversion price equal to the lowest closing price during the preceding thirty-five (35) day. Borrower agrees that it will take all such reasonable actions as may be necessary to assure that the conversion shares may be issued. Borrower agrees to provide holder with confirmation evidencing the execution of such share reservation within fifteen (15) business days from the issuance date.

Holder may provide the transfer agent with written instructions to increase the share reserve in accordance therewith in the event of: (a) closing price of borrower's common stock is less than \$0.002 for three (3) consecutive trading days; or (b) borrower's issued and outstanding shares of common stock is greater than seventy of their authorized shares. Then the share reserve shall increase to the number of shares of common stock equal to the five (5) times the value of the outstanding principal amount plus accrued interest.

Further, as part of the terms of this note the Company agrees that it will not incur further indebtedness other than (a) lease obligations and purchase money indebtedness of up to one hundred thousand dollars, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets, (c) indebtedness that (i) is expressly subordinate to this debenture pursuant to a written subordination agreement with holder that is acceptable to holder in its sole and absolute discretion and (ii) matures at a date sixty (60) days later than the maturity date, (d) trade payables and other accounts payable of borrower incurred in the ordinary course of business in accordance with GAAP and not evidenced by a promissory note or other security, and (e) indebtedness existing on the date hereof and set forth on the Balance Sheet dated September 30, 2015, provided that (x) the terms of such indebtedness are not changed from the terms in effect as of the most recent balance sheet date, and (y) any such indebtedness which is for borrowed money is not due and payable until after August 3, 2017.

#### **NOTE 16 – RESTATEMENT OF FINANCIAL STATEMENTS**

As a result of the re-audit of the March 31, 2014 consolidated financial statements, the Company wrote off certain assets that were being amortized during fiscal year end March 31, 2015. This resulted in an adjustment of \$82,482 in amortization expense that was reversed in the nine months ended December 31, 2015. The Consolidated Statements of Operations and Cash Flows were adjusted as a result of this adjustment.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

We are a Florida corporation formed on April 8, 2001. We were originally organized to be a blank check company.

On June 8, 2009, the Board of Directors approved the change of name to “Novo Energies Corporation”. As described in a report filed with the Securities and Exchange Commission on June 26, 2009, a majority of shareholders executed a written consent in lieu of an Annual Meeting (the “Written Consent”) effecting the change of the name of our business from “Atlantic Wine Agencies, Inc.” to “Novo Energies Corporation” on June 8, 2009 to better reflect what we then intended to be our future operations. We filed an amendment to our Articles of Incorporation on June 8, 2009 with the Florida Secretary of State to affect this name change after receiving the requisite corporate approval.

On June 23, 2009, the Board of Directors approved a 3-for-1 forward stock split. Accordingly, all share and per share amounts have been retroactively adjusted in the accompanying financial statements.

On July 30, 2009, Novo Energies Corporation (“Novo”) formed a wholly-owned subsidiary, WTL Renewable Energy, Inc. (“WTL”). WTL was established as a Canadian Federal Corporation whose business is to initially research available technologies capable of transforming plastic and tires into useful energy commodities. Simultaneously, WTL also intended to plan, build, own, and operate renewable energy plants throughout Canada utilizing a third party technology and using plastic and tire waste as feedstock. On May 8, 2012, the name was changed to Immunovative Canada, Inc.

On May 17, 2011, Novo entered into an exclusive memorandum of understanding with Immunovative Clinical Research, Inc. (“ICRI”), a Nevada corporation and wholly-owned subsidiary of Immunovative Therapies, Ltd. (“ITL”), an Israeli corporation pursuant to which the Company and ICRI intended to pursue a merger resulting in Novo owning ICRI.

In April 2012, the Board of Directors approved the change of name to “Immunovative, Inc.” As described in a report filed with the United States (“U.S.”) Securities and Exchange Commission on April 30, 2012, a majority of shareholders executed a written consent in lieu of an Annual Meeting (the “Written Consent”) effecting the change of the name of our business from “Novo Energies Corporation” to “Immunovative, Inc.” on April 2, 2012 to better reflect what we then intended to be our future operations. We filed an amendment to our Articles of Incorporation on April 30, 2012 with the Florida Secretary of State to affect this name change after receiving the requisite corporate approval.

On January 8, 2013, the Company received from ITL, a notice by which ITL purported to terminate the License Agreement dated December 9, 2011 between the Company and ITL (the "ITL Notice"), along with alleged damages. It is the Company's position that ITL breached the License Agreement by delivering the ITL Notice and, that prior to the ITL Notice, the License Agreement was in full force and, on January 17, 2013 and that the Company had complied in all material respect with the License Agreement therefore the Company believes that there are no damages to ITL. As such, on January 17, 2013, the Company filed a lawsuit against ITL, which included the request for various injunctive relief against ITL for damages stemming from this breach.

On February 19, 2013, the Company and ITL entered into a settlement agreement whereby the parties have agreed to the following: (1) the Company will submit a letter to the Court advising the Court that the parties have reached a settlement and that the Company is withdrawing its motion, (2) ITL will pay the Company \$20,000, (3) ITL will issue to the Company, ITL's share capital equivalent to 9% of the issued and outstanding shares of ITL (3,280,000), (4) the Company will change its name and (5) the settling parties agree that the license agreement will be terminated. The Company had valued these shares at \$0 since they deemed the investment to be worthless. During the three months ended September 30, 2015, the Company sold the 3,280,000 shares for \$125,000 which is recorded in the consolidated statements of operations.

On March 13, 2013, the Board of Directors approved the change of name to "Tauriga Sciences, Inc." from "Immunovative, Inc." We filed an amendment to our Articles of Incorporation on March 13, 2013 with the Florida Secretary of State to affect this name change after receiving the requisite corporate approval. The Company's symbol change to "TAUG" was approved by FINRA effective April 9, 2013.

On May 31, 2013, the Company signed an exclusive North American license agreement with Green Innovations, Inc. (“Green Innovations”) for the commercialization of Bamboo-Based “100% Tree Free” products including hospital grade biodegradable disinfectant wipes. This 5-year license agreement functioned such that profits were to be split equally between Tauriga and Green Innovations. In consideration for such agreement Tauriga agreed to pay Green Innovations \$250,000 USD and 4,347,826 shares of TAUG common stock. Tauriga received 625,000 shares of Green Innovations common stock as well. The agreement was later amended and completed for the following consideration: Tauriga paid Green Innovations a total of \$143,730 USD and an additional 2,500,000 shares of TAUG common stock (for an aggregate share issuance of 6,847,826 shares). As of Year End March 31, 2014, Tauriga has not generated any revenues from the license agreement. This agreement expires on June 1, 2018.

On October 29, 2013 the Company entered into a Strategic Alliance with Synthetic Biology Pioneer Bacterial Robotics LLC to Develop And Commercialize Industry Specific Bacterial Robots “BactoBots”. Under terms of the Agreement the companies will jointly develop a nuclear industry-specific Bacterial Robot (“BactoBots(TM)”). BactoBots are ubiquitous microscopic robots applicable to therapeutics, wastewater, and chemicals. Specifically, Bacterial Robotics owns a family of intellectual property beginning with U.S Patent # 8,354,267 B2 that relates generally to genetically enhanced bacteria that conduct specific functions. Bacterial Robotics initial focus with Tauriga is developing a proprietary BactoBot to remediate wastewater generated by nuclear energy production.

On November 25, 2013, the Company entered a definitive agreement to acquire Cincinnati, Ohio based Pilus Energy LLC (“Pilus Energy”), a developer of alternative cleantech energy platforms using proprietary microbial solutions that creates electricity while consuming polluting molecules from wastewater. Upon consummation of the proposed transaction, which has been unanimously ratified by Tauriga’s board of directors, Pilus Energy will become a wholly-owned subsidiary of Tauriga. In addition certain advisors of Pilus Energy will be incorporated into the existing management team of Tauriga and will report directly to the Company’s Chief Executive Officer, Dr. Stella M. Sung. A total of \$100,000 was paid by Tauriga to Bacterial Robotics in connection with the execution of this November 2013 definitive agreement for the acquisition of Pilus Energy.

On January 28, 2014, the Company completed the acquisition of Cincinnati, Ohio based synthetic biology pioneer Pilus Energy LLC (“Pilus Energy”). Structurally Pilus Energy will be a wholly owned subsidiary of Tauriga (pursuant to the terms of the definitive agreement) and will maintain its headquarters location in the State of Ohio. The management of Pilus Energy will report directly to both the Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”) of Tauriga with the expectation that at least one board seat of Tauriga will be allocated to a Pilus Energy affiliate. The Board of Directors of Tauriga Sciences unanimously approved both the previously announced definitive merger agreement on October 25, 2013 as well as the completion of the acquisition inclusive of amended closing terms. In consideration for early closing of this acquisition, shareholders of Pilus Energy received a warrant to purchase 100,000,000 shares of Tauriga Sciences, Inc. common stock at \$0.02 per share.

The main benefits in accelerating the closing of this acquisition are to enhance Tauriga’s access to capital markets and enable the intrinsic value of Pilus Energy’s technology to be realized sooner through demonstrable progress in the commercialization process. Pilus Energy utilizes a proprietary clean technology to convert industrial customer



“wastewater” into value. This wastewater-to-value (“WTV”) proposition provides customers with substantial revenue-generating and cost-saving opportunities. Pilus Energy is converging digester, fermenter, scrubber, and other proven legacy technologies into a single scalable Electrogenic Bioreactor (“EBR”) platform. This transformative microbial fuel cell technology is the basis of the Pilus Cell(TM). The EBR harnesses genetically enhanced bacteria, also known as bacterial robots, or BactoBots(TM), that remediate water, harvest direct current (DC) electricity, and produce economically important gases and chemicals. The EBR accomplishes this through bacterial metabolism, specifically cellular respiration of nearly four hundred carbon and nitrogen molecules typically called pollutants in wastewater. Pilus Energy’s highly metabolic bacteria are non-pathogenic. Because of the mediated biofilm formation, these wastewater-to-value BactoBots(TM) resist heavy metal poisoning, swings of pH, and survive in a 4-to-45-degree Celsius temperature range. Additionally, the BactoBots(TM) are anaerobically and aerobically active, even with low biological oxygen demand (“BOD”) and chemical oxygen demand (“COD”).

On February 27, 2014, the Company appointed Dr. Stella M. Sung (its previous Chief Operating Officer) to the positions of Chairman and Chief Executive Officer (“CEO”). In addition, Dr. Sung maintained her title as Chief Operating Officer as well as Interim Chief Financial Officer. At this time her employment agreement was modified and amended to reflect her new positions with the Company. The outgoing CEO Seth M. Shaw (“Mr. Shaw”) also resigned from the Board of Directors and accepted the position of Vice President, Strategic Planning.

On March 10, 2014, the Company entered into a definitive agreement to acquire California based Honeywood LLC, developer of a topical medicinal cannabis product (Therapeutic Cream) that currently sells in numerous dispensaries across the state of California. This definitive agreement is valid for a period of 120 days and Tauriga advanced to Honeywood \$217,000 USD to be applied towards the final closing requisite cash total and incurred 178,000 in legal fees as of March 31, 2014 in connection with the acquisition.

On March 26, 2014, the Company announced that its wholly owned subsidiary Pilus Energy LLC (“Pilus Energy”) has commenced a five-phase, \$1,700,000 USD commercial pilot test (“commercial pilot”) with the Environmental Protection Agency (“EPA”), utilizing Chicago Bridge & Iron Co. (NYSE:CBI) (“CB&I”) Federal Services serving as the third-party-contractor through the EPA’s Test and Evaluation (“T&E”) facility. This five phase commercial pilot will include significant testing of the Pilus Energy Electrogenic Bioreactor (“EBR”) synthetic biology platform for generating value from wastewater. This commercial pilot is of great importance to the Company, because it represents the scale up from the benchtop (laboratory) scale to commercial (industrial) scale. The Metropolitan Sewer District of Greater Cincinnati (“MSDGR”), which is co-located with EPA’s T&E facility, will host the commercial scale EBR prototype at its main treatment plant in Cincinnati. On July 15, 2016, the Company was notified by its patent attorney, that the maintenance fee is due in the issue of US Patent # 8,354,267. The final deadline to pay the fee to avoid abandonment is January 15, 2017. If the Company does not make this payment it will lose the patent permanently.

On March 17, 2014, Black Mountain Equities submitted a conversion notice for the repayment of \$65,000 USD principal amount. This conversion for a total of 11,500,000 TAUG shares was not settled until after the year end March 31, 2014, therefore this debt was not removed from the Company’s balance sheet until the first fiscal quarter 2015. Additionally, Black Mountain Equities invested \$75,000 USD into the Company’s 6 cent private placement during April 2014 (first fiscal quarter 2015).

On March 26, 2014, JMJ Financial sent a conversion notice to the Company for the repayment of \$85,000 USD principal amount (\$15,000 USD and \$70,000 USD separate Notes). While the request was sent prior to year-end, the conversion into 9,083,201 TAUG shares did not occur until April 2, 2014. Therefore, the debt was not removed from the Company’s balance sheet until the first fiscal quarter of 2015.

On March 28 2014, the Company notified JMJ Financial that it would repay the final outstanding note in principal amount of \$75,000 USD for \$83,333.00 USD. The Company did not receive the wire instructions from JMJ Financial until April 1, 2014 and proceeded to wire this \$83,333.00 USD cash payment to JMJ Financial on April 2, 2014. Therefore, this debt was not removed from the Company’s balance sheet until first fiscal quarter of 2015.

On March 30, 2014, the Company notified Redwood Capital that it would repay the final outstanding note in principal amount of \$60,000 USD for \$77,615.00 USD. On April 14, 2014, the Company proceeded to wire this \$77,615.00 USD cash payment to Redwood Capital. Therefore, this debt was not removed from the Company’s balance sheet until

first fiscal quarter of 2015. The Company generated this \$77,615 USD through its 6 cent private placement; 1,294,167 Restricted TAUG shares were issued for this \$77,615.00 USD.

On April 4, 2014, the Company made a cash payment of \$50,000 USD to the law firm of Winston and Strawn LLP to settle all remaining outstanding legal debts (the arose from the 2013 litigation with Immunovative Therapies Ltd.). There is no longer any debt owed to this law firm and the Company received such acknowledgment from Winston and Strawn via email.

On April 7, 2014, an institutional investor Group 10 Holdings LLC invested \$150,000 USD into the Company's 6 cent private placement for a total of 2,500,000 Restricted TAUG shares.

On April 30, 2014, the Company repaid and retired a convertible note held by Union Capital for the principal amount of \$75,000 USD. This was repaid in full for a cash payment of \$75,000 USD and a one-time restricted share issuance of 1,500,000 TAUG shares. Therefore, this debt was not removed from the Company's balance sheet until first fiscal quarter of 2015.

Between April 1, 2014 and April 30, 2014 (not reflected in the Year End Results due to the timing of settlements), the Company repaid and retired more than \$400,000 USD of convertible notes (principal amounts). This activity was reflected on the Company's balance sheet during the first fiscal quarter of 2015 (04/01/2014 - 06/30/2014).

On September 24, 2014, the Company, Honeywood LLC, a California limited liability company ("Honeywood"), and Doc Green's Healing Collective, a California unincorporated nonprofit association ("DGHC," and together with Honeywood, "Licensor"), entered into a License and Supply Agreement (the "License Agreement"). The License Agreement was entered into coincident with the consummation of the Unwinding Transaction (as defined in Item 2.01 below) as a result of which Honeywood ceased to be owned by the Company.

Pursuant to the License Agreement, Licensor granted to the Company, its affiliates and designees, a nonexclusive, worldwide, perpetual, irrevocable, fully paid-up, royalty-free, sublicensable right and license to use, offer for sale, sell, import, distribute and otherwise exploit any products offered for distribution by Licensor (“Products”). The Company is free to change, modify, supplement, combine, enhance and otherwise manipulate Products in developing and commercializing its own products and services. Licensor also granted to the Company the nonexclusive, worldwide, perpetual, irrevocable, fully paid-up, royalty-free, sublicensable license to use Licensor’s trademarks in connection with any Products. Licensor agreed to provide to the Company, its affiliates and designees, Products in such quantities as may be ordered by the Company in the ordinary course of business, and as such Products may be available for delivery. Licensor must fulfill the orders for Products by the Company, its affiliates and designees on a first priority basis when commercially reasonable. The payment, shipping and other terms related to fulfillment of the Company’s orders shall be at Licensor’s then-existing commercial wholesale terms. However, the price shall be Licensor’s wholesale price (for Products of any sort to be shipped for distribution in California, or Products shipped anywhere without Licensor’s trademarks) and Licensor’s wholesale price less a discount for Products for distribution under Licensor’s trademarks outside of California. The Company has a right of first negotiation for a supply agreement with respect to each new Product. Absent an uncured material breach of the License Agreement by the Company, Licensor may not terminate the License Agreement before September 24, 2020. In the event of a default under the Note (as defined below), the Company has the right to set-off against its obligations under the License Agreement any outstanding obligations under the Note.

On July 15, 2014 the Company completed its acquisition of Honeywood pursuant to the terms of an Agreement and Plan of Merger, as amended by Amendment No.1 to the Agreement and Plan of Merger, dated July 15, 2014 (collectively, the “Merger Agreement”) by and among the Company, Doc Greene’s Acquisition Sub, LLC, a limited liability company (“Honeywood Acquiror”), Honeywood, Elie Green (“Green”), Daniel Kosmal (“Kosmal”) and Ramona Rubin (“Rubin” and, collectively with Green and Kosmal, the “Honeywood Principals”). As contemplated by the Merger Agreement, Honeywood Acquiror merged with and into Honeywood, with Honeywood being the surviving entity and becoming a wholly owned subsidiary of the Company (the “Merger”). In connection with the closing of the Merger, the Company, Honeywood and each of the Honeywood Principals entered a Standstill Agreement (the “Standstill Agreement”) in which Honeywood and the Honeywood Principals agreed to restrictions on acquisition of additional Company capital stock and transactions involving the Company and each Honeywood Principal entered into an employment agreement with Honeywood (collectively, the “Employment Agreements”). A description of the Merger was contained in the Company’s Current Report on Form 8-K dated July 15, 2014.

On September 24, 2014 (the “Unwinding Date”), the Company, Honeywood and each of the Honeywood Principals entered into a Termination Agreement (the “Termination Agreement”) to unwind the effects of the Merger (the “Unwinding Transaction”). Pursuant to the Termination Agreement, the Merger Agreement, the Standstill Agreement and the Employment Agreements were all terminated. As required by the Termination Agreement, on the Unwinding Date the Company entered into an Assignment of Interest (the “Assignment of Interest”) pursuant to which it conveyed its membership interest in Honeywood to the Honeywood Principals, as a result of which Honeywood ceased to be owned by the Company and became owned again by the Honeywood Principals.

In the Termination Agreement, the Honeywood Principals relinquished their right to any merger consideration pursuant to the Merger Agreement, including the right to any shares of capital stock of the Company (which had never

been formally issued or delivered), and agreed that all indicia of any Company shares issuable as merger consideration reflected on the transfer books of the Company, if any, would be cancelled without any further action by the Honeywood Principals. The shares of the Company that would have been issuable as merger consideration pursuant to the Merger Agreement if the Unwinding Transaction had not been consummated consisted of: (i) shares of the Company's common stock representing approximately 15.457% of the Company's outstanding common stock as of the Merger (109,414,235 shares) payable to the Honeywood Principals, (ii) 18,000,000 shares of the Company's common stock payable to a consultant of Honeywood, and (iii) additional shares of the Company's common stock representing up to 10% of the Company's outstanding common as of the Merger payable to the Honeywood Principals as an earn-out upon the achievement of certain milestones. Because of the Unwinding Transaction, none of the foregoing shares will be issued by the Company and the stockholders of the Company will not experience the dilution that would have resulted from such issuance.

In accordance with the Termination Agreement, Honeywood agreed to repay to the Company substantially all of the advances made by the Company to Honeywood prior to and after the Merger by delivering to the Company on the Unwinding Date a Secured Promissory Note in the principal amount of \$170,000 (the "Note"). The Note bears interest at 6% per annum and is repayable in six quarterly installments on the last day of each calendar quarter starting on March 31, 2015 and ending on June 30, 2016. The Note is secured by a blanket security interest in Honeywood's assets pursuant to a Security Agreement entered into on the Unwinding Date between Honeywood and the Company (the "Security Agreement").

The Termination Agreement contains a general release and covenant not to sue pursuant to which the Company, Honeywood and the Honeywood Principals released, and agreed not to sue with respect to, any and all rights they have against each other through the Unwinding Date except for their respective rights under the Termination Agreement, the Assignment of Interest, the Note, the Security Agreement, the License Agreement and the Release and Covenant Not to Sue dated July 15, 2014 entered into in connection with the closing of the Merger. The Termination Agreement also contains customary representations, warranties and covenants, including covenants regarding confidentiality and non-disparagement.

On July 9, 2015, Dr. Sung submitted her resignation as a member of the Company's BOD and as CEO and CFO of the Company. Simultaneously with Dr. Sung's resignation, the BOD appointed Seth M. Shaw as the Chairman of the BOD and the Company's new CEO.

### **Delisting from the OTCQB Exchange**

On July 31, 2015, shares of the Company were delisted from the OTCQB Exchange to OTC Pink Limited Information Tier. On July 23, 2015 (via the PCAOB Public Censure), the Company became aware that the Company's predecessor audit firm, Cowan, Guteski & Co P.A. (the "Predecessor Audit Firm") violated Securities and Exchange Commission ("SEC") Regulation SX, Rule 2-01 as well as certain standards with respect to the PCAOB independence rules with respect to the Predecessor Audit Firm's audit report with respect to the Company year ended March 31, 2014 financial statements (the "Order"). Specifically, the Predecessor Audit Firm failed to adhere to the SEC regulations with respect to the partner rotation rules.

These rules require that the engagement partner as well as the quality concurring reviewer must be rotated off of the engagement for 5 years (cooling off period) after engaged in those roles for a period of 5 years. The Predecessor Audit Firm did not do this.

As a result of the non-compliance with the SEC regulations, on the morning of Thursday, July 30, 2015, the Company petitioned the OTC Markets in writing to extend the existing seven day OTCQB listing extension by a total of 60 additional days until close of business October 5, 2015. The OTC Markets panel denied the request and notified the Company it would be moved from the OTCQB to the OTC Pink Limited Information category effective at market open Friday July 31, 2015.

Mediation with Predecessor Audit Firm commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Guteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed to trial. The case is expected to proceed in Federal District Court — Southern District Florida (Miami, Florida) with an expectation that the venue will be challenged. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and debts (inclusive of liquidated damages) that exceed \$850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of \$3,000,000. That figure is expected to continually increase as additional time lapses.

On May 10, 2016, the Company was notified of an Order Reopening Case, Scheduling Order for Pretrial Conference set for December 7, 2016 before Judge Robin L. Rosenberg, Trial set for January 23, 2017 in West Palm Beach Division, and a Calendar Call set for January 18, 2017.

On June 13, 2016 a motion was filed for change of venue relative to proceeding jurisdiction from Florida to New Jersey from Florida on the basis of lack of business interest of the Company in the state of Florida. The Company has filed a response to dispute this filing and is currently awaiting a ruling.

The following Management Discussion and Analysis should be read in conjunction with the condensed consolidated financial statements and accompanying notes included in this Form 10-Q.

## **RESULTS OF OPERATIONS**

### ***Three and nine months ended December 31, 2015 compared to the three and nine months ended December 31, 2014***

*Revenue.* The Company was currently developing its business and as a result it had not developed a material or consistent pattern of revenue generation. In addition and as discussed further below, the business was disposed of in August 2015. For the three months ended December 31, 2015, the Company did not generate any revenue compared to \$28,834 revenue for the three months ended December 31, 2014.

For the nine months ended December 31, 2015, the Company generated \$51,062 as compared to \$39,665 revenue for the nine months ended December 31, 2014.

The revenue was generated from the Company's natural wellness cannabis compliment line launched in August of 2014. The Company disposed of operations on August 7, 2015. There is no guaranty that a new line of business will result in material revenue production.

*Cost of Goods Sold.* The Company's cost of goods sold for the three months ended December 31, 2015 was \$0, which resulted no gross profit for that period compared to cost of goods sold of \$8,824 and a gross margin of \$20,010 or 69.4% for the three months ended December 31, 2014. The difference was due to the disposition of operations in the second fiscal quarter of 2016.

The Company's cost of goods sold for the nine months ended December 31, 2015 was \$14,472, which resulted in a gross profit for that period of \$36,590 at a gross margin of 71.7% compared to cost of goods sold of \$11,842 and a gross margin of \$27,823 or 70.1% for the nine months ended December 31, 2014.



*General and Administrative Expenses.* For the three months ended December 31, 2015, general and administrative expenses were \$214,753 compared to \$667,134 for the same period in the prior fiscal year. This decrease was primarily due to a decrease in stock based compensation.

For the nine months ended December 31, 2015, general and administrative expenses were \$988,108 compared to \$3,509,426 for the same period in the prior fiscal year. This decrease was primarily due to a decrease in stock based compensation.

*Other Income (Expense).* For the three months ended December 31, 2015, other income was \$1,030,179 compared to expense of \$657,865 for the same period in the prior fiscal year. This largest item in the three months ended December 31, 2015 was change in derivative liability resulting in income of \$1,055,152. In the three months ended December 31, 2014, the largest expense was financing expense in the amount of \$600,000.

For the nine months ended December 31, 2015, other expense was \$228,580 compared to \$1,153,612 for the same period in the prior fiscal year. This largest expense in the nine months ended December 31, 2015 was financing expense of \$324,000. In the three months ended December 31, 2014, the largest expense was financing expense in the amount of \$1,058,177.

*Net Income (Loss).* We generated net income of \$813,154 compared to a loss of \$1,357,880 for the three months ended December 31, 2014 compared to the same period in the prior year. We generated a net loss of \$1,320,389 for the nine months ended December 31, 2015 compared to a net loss of \$4,698,063 for the same period in the prior year.

## **Liquidity and Capital Resources**

We continue to fund our operations through private placement offerings and other financings.

During the nine months ended December 31, 2015, the Company sold no shares of common stock, and entered into various note agreements of \$200,000 to a financing institution and \$133,000 to various individuals and companies of which \$18,000 of this was to a related party.

At December 31, 2015, we had no cash or cash equivalents as compared to \$209,098 at March 31, 2015.

## Cash Flows

Net cash used in operating activities amounted to \$132,947 and \$1,602,118 for the nine months ended December 31, 2015 and 2014, respectively.

During the nine months ended December 31, 2015, we used no cash in investing activities compared to \$40,251 in the same period in the prior fiscal year, primarily as a result of the purchase of equipment and deferred acquisition cost.

During the nine months ended December 31, 2015, we had \$97,000 cash used in financing activities compared to \$1,145,167 provided in the same period in the prior fiscal year, primarily as a result of shares issued for cash in 2014 of \$1,013,500 and proceeds received from a warrant exercise of \$250,000 in 2014 offset by repayments of debt of \$83,333. In 2015, the Company received proceeds of \$223,000 in notes payable from individuals and companies (of which \$18,000 was from a related party), and \$90,000 in proceeds from a financing institution, offset by a payment of \$230,000 to settle an agreement with another financing institution.

We do not believe that our cash on hand at December 31, 2015 will be sufficient to fund our current working capital requirements as we try to develop a new business line. We will continue to seek additional equity financing. However, there is no assurance that we will be successful in our equity private placements or if we are that the terms will be beneficial to our shareholders.

### **Going Concern Qualifications**

The accompanying unaudited condensed consolidated 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. The Company had minimal revenue of \$51,062 and net losses of \$1,320,389 for the nine months ended December 31, 2015 compared to sales of \$39,665 and net loss of \$4,698,063 for the nine months ended December 31, 2014. The Company had an accumulated deficit of \$50,564,029 and there are existing uncertain conditions which the Company faces relative to its obtaining financing and capital in the equity markets. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company is highly dependent on its ability to continue to obtain investment capital from future funding opportunities to fund the current and planned operating levels. The unaudited consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to bring in income generating activities and its ability to continue receiving investment capital from future funding opportunities. No assurance can be given that the Company will be successful in these efforts.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean a company's controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its chief executive and chief financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms and that information

required to be disclosed is accumulated and communicated to the chief executive and interim chief financial officer to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are not effective as of such date. The Chief Executive Officer and Chief Financial Officer have determined that the Company continues to have the following deficiencies which represent a material weakness:

1. The Company does not have an Audit Committee;  
  
Lack of in-house personnel with the technical knowledge to identify and address some of the reporting accounting issues surrounding certain complex or non-routine transactions. With material, complex and
2. non-routine transactions, management has and will continue to seek guidance from third-party experts and/or consultants to gain a thorough understanding of these transactions;
3. Insufficient personnel resources within the accounting function to segregate the duties over financial transaction processing and reporting; and
4. Insufficient written policies and procedures over accounting transaction processing and period end financial disclosure and reporting processes.

To remediate our internal control weaknesses, management would need to implement the following measures:

The Company would need to add sufficient number of independent directors to the board and will form an Audit Committee with a qualified person to chair the committee.

The Company has hired a chief financial officer, but would need to add sufficient accounting personnel to properly segregate duties and to effect a timely, accurate preparation of the financial statements.

The Company would need to hire staff technically proficient at applying U.S. GAAP to financial transactions and reporting.

Upon the hiring of additional accounting personnel, the Company would then develop and maintain adequate written accounting policies and procedures.

Currently, management does not have the resources nor will it in the near/mid-term future to accomplish these goals.

The additional hiring is contingent upon the Company's efforts to obtain additional funding through equity or debt and the results of its operations. Management expects to secure funds in the coming fiscal year but provides no assurances that it will be able to do so.

#### ***Changes in Internal Control over Financial Reporting***

Except as set forth above, there were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### ***Limitations on the Effectiveness of Controls***

The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of the control system must reflect that there are resource constraints and that the benefits must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within

the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of August 4, 2016, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations except as set forth below:

#### **Lawsuit Filed Against Cowan Guteski & Co. PA**

On November 4, 2015, the Company filed a lawsuit against its predecessor audit firm Cowan Guteski & Co. PA in Federal Court — Southern District Florida (Miami, Florida). The case alleges, among other things, that Cowan Guteski committed malpractice with respect to the audit of the Company's FY 2014 financial statements (as illustrated in the PCAOB Public Censure of July 23, 2015) and then misrepresented to the Company with respect about its ability to re-issue an independent opinion for FY 2014 financial statements. On July 31, 2015, the Company was delisted from the OTCQB Exchange to the OTC Pink Limited Information Tier due to its inability to file its FY 2015 Form 10K. The lawsuit was expected by the Company and its counsel to take up to 18 months to complete, from the date it was filed (November 4, 2015).

The Company in its lawsuit seeks damages against Cowan Guteski (and its malpractice insurance policy) exceeding \$3,000,000. There is no guarantee that the Company will be successful in this lawsuit.

Subsequent to the filing of the lawsuit, the Company was notified that the lawsuit was temporarily suspended so that the Company and Cowan can attempt to mediate this case. On December 30, 2015, the Company was notified that Daniel F. Kolb was appointed as the mediator.

Mediation commenced on February 3, 2016. During these efforts, the Company had been offered settlement amounts, but none that have been satisfactory.

On March 22, 2016 the Company decided that its good faith efforts to settle its ongoing litigation with Cowan Guteski & Co. P.A. have proven unsuccessful. Therefore, the Board of Directors of the Company unanimously agreed to proceed to trial. The case is expected to proceed in Federal District Court — Southern District Florida (Miami,

Florida) with an expectation that the venue will be challenged. The Company is continuing to seek the assistance of independent experts, to help ascribe dollar amounts for certain damages suffered by the Company (“provable damages”). At this point in time, the Company has realized out of pocket cash losses and debts (inclusive of liquidated damages) that exceed \$850,000. Additional potential damages include but are not limited to: inability to properly maintain Pilus Energy’s Intellectual Property (“Pilus IP”), the July 31, 2015 delisting of the Company shares from OTCQB to Pink Sheets, loss of market capitalization (“market cap”), loss of trading liquidity (“trading volume”), and loss of substantial business opportunities. In aggregate the Company intends to seek monetary award(s), during trial, in excess of \$3,000,000. That figure is expected to continually increase as additional time lapses.

On May 10, 2016, the Company was notified of an Order Reopening Case, Scheduling Order for Pretrial Conference set for December 7, 2016 before Judge Robin L. Rosenberg, Trial set for January 23, 2017 in West Palm Beach Division, and a Calendar Call set for January 18, 2017.

On June 13, 2016 a motion was filed for change of venue relative to proceeding jurisdiction from Florida to New Jersey from Florida on the basis of lack of business interest of the Company in the state of Florida. The Company has filed a response to dispute this filing and is currently awaiting a ruling.

#### Arbitration – Cherry Baekert LLP

On November 23, 2015, the Company had its arbitration date in Miami, Florida at the law office of Pollack, Pollack and Kogan against Cherry Baekert LLP (a consultant of the Company). This arbitration was concerning outstanding invoices of \$31,280 that Cherry Baekert believed was owed from the Company pursuant to two separate engagement letters entered into in 2014. Prior to November 23, 2015, the Company had already paid \$25,000 to Cherry Baekert pursuant to these above mentioned agreements.

The arbitrator, Lawrence Saichek, ruled against the Company on December 29, 2015 awarding Cherry Baekert the full \$31,280 plus legal fee reimbursement, and court costs reimbursed. The total award was \$47,568. Since that time, the number has grown to \$51,387. On April 25, 2016, the Company made a \$15,000 payment to Cherry Baekert towards this outstanding amount. Therefore, the remaining balance is now \$36,387. In addition, Cherry Baekert, as a good faith measure, granted the Company until June 30, 2016 to pay the balance. There can be no guarantees that the Company will be able to meet that deadline. The Company wired the final amount due on June 28, 2016.



**ITEM 1A. RISK FACTORS.**

Not applicable.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

For the nine months ended December 31, 2015, the Company issued 27,500,000 common shares as commitment shares valued at \$191,000, in conjunction with the issuance on two convertible notes in the aggregate amount of \$200,000 (\$104,000 and \$96,000), each convertible note payable matures one-year after issuance, bearing interest rates of 7 - 12% annual interest, increasing to 18-24% default interest.

For the nine months ended December 31, 2015, the Company issued 840,000 shares of common stock to the Chief Executive Officer and V.P. Strategic Planning from \$0.003 to \$0.01, totaling \$6,510.

For the nine months ended December 31, 2015, the Company issued 535,000 shares of common stock as share based compensation at prices ranging from \$0.003 to \$0.01, totaling \$4,985.

For the nine months ended December 31, 2015, the Company issued 41,250,000 shares of common stock for advisory and investor relation services at a price of \$0.002 per share, totaling \$82,087.

For the nine months ended December 31, 2015, the Company issued 4,000,000 shares of common stock along with \$8,000 in cash to settle a liability of a consultant who provided services for the Company from August 2013 through October 2013. The stock was valued at \$0.002 per share, totaling \$8,000.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

As of this report date the Company was in default of two convertible notes payable; a \$104,000 7% convertible redeemable note dated May 28, 2015 with Union Capital, LLC (“Union”) and a \$96,000 20% OID convertible debenture with Group 10 Holdings LLC (“Group 10”) dated July 14, 2015, bearing a 12% annual rate of interest.

As a result of the default the Union note principal balance increased by 50% to \$156,000 with an interest rate of 24%. The Group 10 note, as a result of the default, increased the unpaid principal balance by 18% to \$113,280 with an interest rate of 18%.

Also, as of this report date, the Company was in default of an 11.5% debt facility with Alternative Strategy Partners PTE Ltd. (“ASP”) dated September 23, 2015 of a non-convertible note with a balance of \$90,000, for the failure to make timely payment as per agreed on December 23, 2015. As a result of the default this note, this note bears an 18% interest rate. The Company has not received any default notices from ASP as of August 4, 2016. Additionally, the Company is currently in negotiations to settle all remaining obligations due to ASP under this \$90,000 face value debenture.

The Company’s default is result of the July 15, 2015 filing failure which resulted in the delisting from the OTCQB Exchange resulting for failure to timely file the its annual report with the Securities and Exchange Commission (“SEC”) violating Regulation SX, Rule 2-01 as a direct result of the Company not being able to obtain properly audited financial statements.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable

**ITEM 5. OTHER INFORMATION.**

None

**ITEM 6. EXHIBITS.**

Exhibit 31.1 Certification of Chief Executive Officer and Interim Chief Financial Officer

Exhibit 32.1 Certification of Chief Executive Officer and Interim Chief Financial Officer

Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**Exhibit 101**

- 101.INS - XBRL Instance Document
- 101.SCH - XBRL Taxonomy Extension Schema Document
- 101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF - XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB - XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TAURIGA SCIENCES, INC.**  
(Registrant)

Date: August 9, 2016 By: */s/ Seth M. Shaw*  
Seth M. Shaw  
Principal Executive Officer

By: */s/ Ghalia Lahlou*  
Ghalia Lahlou  
Principal Accounting Officer

