BREATHTEC BIOMEDICAL, INC.
(Formerly PBA Acquisitions Corp.)

Condensed Consolidated Interim Financial Statements

Three Months Ended November 30, 2015

(Expressed in Canadian Dollars)
(Unaudited)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

BREATHTEC BIOMEDICAL, INC.

(Formerly PBA Acquisitions Corp.)
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	November 30, 2015	August 31, 2015
Assets		
Current		
Cash and cash equivalents	$ 2,553,163	$ 1,399,835
Accounts receivable (note 7)	27,841	-
Prepaid expenses	299,154	-
	2,880,158	1,399,835
Non-current		
Incorporation costs	1,371	1,371
	$ 2,881,529	$ 1,401,206
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 7 and 9)	$ 126,943	$ 173,366
Shareholders' Equity		
Capital Stock (note 6)	6,448,722	1,529,745
Reserve (note 6 (d))	700,348	-
Accumulated Other Comprehensive Income	141,199	123,864
Deficit	(4,535,683)	(425,769)
	2,754,586	1,227,840
	$ 2,881,529	$ 1,401,206

Approved on behalf of the Board:

"Kal Malhi" (signed)

Director

"'Dr. Raj Attariwala" (signed)

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BREATHTEC BIOMEDICAL, INC.

(Formerly PBA Acquisitions Corp.)
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended November 30, 2015
Expenses	
Filing fees	$ 31,480
General and administrative	56,903
Professional fees (note 9)	134,038
Research and development (note 7)	(61,780)
	(160,641)
Interest income	186
Transaction expense (note 5)	(3,949,459)
Net Loss for the Period	(4,109,914)
Item that may be Reclassified Subsequently to Profit or Loss	
Foreign exchange gain on translating foreign operations	17,335
Comprehensive Loss for the Period	$ (4,092,579)
Basic and Diluted Loss Per Share	$ (0.26)
Weighted Average Number of Common Shares Outstanding	15,913,310

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BREATHTEC BIOMEDICAL INC.

(Formerly PBA Acquisitions Corp.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock			Accumulated Other Comprehensive		
	Number	Amount	Reserve	Income	Deficit	Total
Balance, January 22, 2015 (date of incorporation)	**5,000,000**	**$ 30,928**	**$ -**	**$ -**	**$ -**	**$ 30,928**
Shares issued for cash	10,605,400	1,498,817	-	-	-	1,498,817
Net loss for the period	-	-	-	-	(425,769)	(425,769)
Other comprehensive income	-	-	-	123,864	-	123,864
Balance, August 31, 2015	**15,605,400**	**1,529,745**	**-**	**123,864**	**(425,769)**	**1,227,840**
Acquisition of Breathtec (note 6 (b))	22,477,298	4,918,977	700,348	-	-	5,619,325
Cancel shares of Breathtec US on reverse acquisition	(15,605,400)	-	-	-	-	-
Shares issued on reverse acquisition	15,605,400	-	-	-		-
Net loss for the period	-	-	-	-	(4,109,914)	(4,109,914)
Other comprehensive loss	-	-	-	17,335	-	17,335
Balance, November 30, 2015	**38,082,698**	**$ 6,448,722**	**$ 700,348**	**$ 141,199**	**$ (4,535,683)**	**$ 2,754,586**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BREATHTEC BIOMEDICAL, INC.

(Formerly PBA Acquisitions Corp.)
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended November 30, 2015
Operating Activities	
Net loss for period	$ (4,109,914)
Item not involving cash:	
Transaction expense (note 5)	3,949,459
Change in working capital balances:	
Accounts receivable	(27,841)
Prepaid expenses	29,375
Accounts payable and accrued liabilities	(76,878)
Cash Used by Operating Activities	(235,799)
Investing Activities	
Cash received on acquisition of Breathtec	1,371,792
Cash Provided by Investing Activities	1,371,792
Effect of exchange rate fluctuations on cash held	17,335
Inflow of Cash	1,153,328
Cash, Beginning of Period	1,399,835
Cash, End of Period	$ 2,553,163

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Breathtec Biomedical, Inc. ("Breathtec" or the "Company") was incorporated on April 10, 2015 under the British Columbia *Business Corporations Act* as "PBA Acquisitions Corp.". On July 23, 2015, it changed its name to "Breathtec Biomedical, Inc.". The head office and registered office of Breathtec is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The Company was formed to propel innovative research in the area of breath analysis as a medical diagnostic tool. The Company will focus on the innovation and advances in the field of specialized mass spectrometry.

Breathtec was incorporated as a wholly-owned subsidiary of Petro Basin Energy Corp. ("Breathtec Parent"). On June 25, 2015, Breathtec entered into a plan of arrangement (the "Arrangement Agreement") with Breathtec Parent pursuant to which Breathtec Parent spun out Breathtec to its shareholders. The Arrangement Agreement was completed on September 23, 2015. As a result, Breathtec became a reporting issuer in the provinces of British Columbia, Ontario and Alberta.

On September 11, 2015, Breathtec incorporated a wholly-owned subsidiary named Breathtec Merger Sub, Inc. ("MergerCo") under the *Florida Business Corporations Act* ("FBCA"*)*.

Breathtec Biomedical, Inc. ("Breathtec US") was incorporated under the FBCA on January 22, 2015. The head office and registered office of Breathtec US is located at 525 Okeechobee Boulevard, Suite 1600, West Palm Beach, Florida, 33401. An additional office is located in Delta, British Columbia.

On October 26, 2015, Breathtec, Breathtec Parent, Breathtec US and MergerCo completed an agreement (the "Merger Agreement") structured as a reverse takeover, specifically, as a triangular merger under the FBCA among Breathtec, Breathtec US and MergerCo (the "Merger"). Pursuant to the Merger, Breathtec US was merged with and into MergerCo with Breathtec US as the surviving corporation. The Company acquired a 100% interest in Breathtec US pursuant to and on the terms and subject to the conditions set out in the Merger Agreement resulting in Breathtec US becoming a 100% owned Florida operating subsidiary of the Company.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

At present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties cast doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* using the accounting policies in compliance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial assets and liabilities classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at fair value and have been prepared using the accrual basis of accounting, except for cash flow information.

The significant accounting policies set out in note 3 have been applied consistently to the periods presented.

(b) Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements of the Company were approved by the Board of Directors and authorized for issue on January 29, 2016.

(c) Basis of consolidation

The Company's fiscal year-end is August 31. These condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiary as at November 30, 2015.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses, and dividends resulting from intra-group transactions have been eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

2. BASIS OF PRESENTATION (continued)

(c) Basis of consolidation (continued)

The Company's subsidiary is as follows:

Breathtec Biomedical, Inc. (100% owned)

(d) Foreign currencies

The condensed consolidated interim financial statements are presented in Canadian ("CAD") dollars, which is the functional currency of Breathtec. The functional currency of Breathtec US is United States ("US") dollars.

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in income or loss in the period in which they arise. When gains or losses on non-monetary items are recognized in other comprehensive income (loss), exchange components of those gains or losses are recognized in other comprehensive income (loss). Conversely, when gains or losses on non-monetary items are recognized in income or loss, exchange components of those gains or losses are recognized in income or loss.

On consolidation, the financial statements of entities that use a functional currency other than the Canadian dollar are translated into CAD. Assets and liabilities are translated using the exchange rates on the respective statement of financial position dates. Items in the consolidated statement of loss and comprehensive loss and consolidated statement of cash flows are translated into CAD using the average rates of exchange for the periods involved. The resulting translation adjustments are recognized in other comprehensive income (loss) and recorded as a separate component of shareholders' equity.

2. BASIS OF PRESENTATION (continued)

(e) New accounting pronouncement

IFRS 9 *Financial Instruments*

On July 24, 2014 the IASB issued the complete IFRS 9, which replaces the earlier versions of IFRS 9 (2009, 2010 and 2013). IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also mends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. IFRS 9 (2014) is effective for the Company's annual periods beginning after September 1, 2018 with earlier adoption permitted.

The Company is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements and expects to apply the standard in accordance with its future mandatory effective date. The extent of the impact of adoption of this pronouncement has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, FVTPL, loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss
Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash and short-term investments are included in this category of financial assets.

Loans and receivables
Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. Accounts receivable is included in this category of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Financial assets (continued)

Held-to-maturity
Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

Available-for-sale
AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. The Company has no assets classified as AFS.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following category:

Borrowings and other financial liabilities
Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(b) Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Funds received from other parties as outlined in research cost sharing agreements are deducted from research and development expense. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology are met for deferral and amortization. No research or development costs have been deferred to date.

(c) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income taxes (continued)

Current tax expense is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

(e) Capital stock

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(f) Unit offering

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “unit”), and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The fair value of the components of the units sold are measured using the relative fair value approach, based on the calculated fair value of the stand-alone shares through reference to the quoted market price at the completion of the financing and the fair value of the stand-alone warrant, using the Black-Scholes option pricing model. Consideration received on the exercise of warrants is recorded as capital stock and the recorded amount to reserve is transferred to capital stock.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can affect estimates of fair values.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Significant accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant areas requiring the use of management estimates include:

- The completeness of accrued liabilities;
- The fair value of warrants issued in the period
- The fair value of the consideration to acquire Breathec; and
- The utilization of deferred income tax assets.

Significant areas requiring the use of management's judgments include:

- Treatment of development costs – costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs as at November 30, 2015 and August 31, 2015.
- Determination of control regarding reverse takeover transaction – Breathtec US obtained 46% control over Breathtec. The Company considered the percentage acquired and other elements to determine the accounting acquirer in the Merger.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk exists with respect to the Company's cash, and accounts receivable. The Company limits exposure to credit risk by maintaining its cash and funds held in trust with large financial institutions in the US and Canada. For other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value. The Company is not exposed to significant credit risk as the balance is due from a related company that shares the same directors as the Company (note 7).

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At November 30, 2015, the Company had cash of $1,553,163 and short term investments of $1,000,000 available to meet short-term business requirements and current liabilities of $126,943. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant interest rate risk and other price risk.

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US). The Company has monetary assets of US $839,390 (2015 - $1,065,048) and monetary liabilities of US $49,477 (2015 - $131,767). For the period ended November 30, 2015, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US by 5% will increase or decrease other comprehensive loss by approximately $52,739. The Company has not entered into any foreign currency contracts to mitigate this risk**.**

5. REVERSE TAKEOVER

The following summarizes the reverse takeover of Breathtec by Breathtec US and the assets acquired and the liabilities assumed on October 26, 2015, the Merger date:

Net tangible assets acquired:	
Cash and cash equivalents	$ 1,371,792
Funds held in trust	171,038
Prepaids	328,529
Accounts payable	(201,493)
	$ 1,669,866
Consideration paid:	
Share capital	$ 4,918,977
Warrants issued to Breathtec US shareholders	700,348
	$ 5,619,325

The transaction is considered a reverse takeover since the legal acquiree is the accounting acquirer and its former shareholders end up controlling the consolidated entity after the completion of this transaction. Consequently, the historical results of operations are those of Breathtec US.

As the acquisition was not considered a business combination, the excess value of consideration paid over the net assets acquired together with the estimated fair value of warrants granted to Breathtec US shareholders (note 6 (d)) are expensed as transaction expenses in the consolidated statement of loss and comprehensive loss:

Consideration paid	$ 5,619,325
Net intangible assets acquired	(1,669,866)
	$ 3,949,459

6. CAPITAL STOCK

(a) Authorized

100,000,000 common shares without par value.

(b) Issued and outstanding

On January 22, 2015, the Company issued 5,000,000 common shares at a price of US $0.005 per common share for total proceeds of US $25,000 (CAD $30,928).

On May 1, 2015, the Company issued 5,000,000 common shares at a price of US $0.025 per common share for total proceeds of US $125,000 (CAD $152,400).

On May 15, 2015, the Company issued 5,605,400 common shares at a price of US $0.20 per common share for total proceeds of US $1,121,080 (CAD $1,346,417).

6. CAPITAL STOCK (continued)

(b) Issued and outstanding (continued)

In connection with the Merger, 22,477,298 shares of the Company were issued.

(c) Common shares reserved for issuance

As at November 30, 2015, the Company has 3,000,000 common shares reserved for issuance as follows:

- 1,000,000 common shares to various officers, directors, employees and consultants; and
- 2,000,000 to the University of Florida for the acquisition of patents.

(d) Warrants

In connection with the Merger, the Company issued:

- 3,550,700 share purchase warrants to Breathtec shareholders entitling the holders thereof to purchase one common share of the Company at a price of $0.40 until October 14, 2017;
- 480,112 agent warrants entitling the holders thereof to purchase one common share of the Company at a price of $0.25 until October 14, 2017; and
- 7,802,700 share purchase warrants to the shareholders of Breathtec US (the "Breathtec US Warrants"). Each Breathtec US Warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.40 until October 14, 2017.

The fair value of warrants granted during the three months ended November 30, 2015 was measured based on the Black-Scholes pricing model. Expected volatility was determined based on comparable publicly listed companies. The inputs used in the measurement of the fair value were as follows:

	2015
Risk-free interest rate	0.54%
Dividend yield	0.00%
Expected life (years)	2.00
Volatility	100%
Forfeiture rate	0.00%
Fair value at grant date	$0.10

6. CAPITAL STOCK (continued)

(d) Warrants (continued)

Warrants outstanding as at November 30, 2015 and August 31, 2015 are as follows:

Expiry date	Exercise price ($CAD)	August 31, 2015	Issued	Expired	November 30, 2015
October 14, 2017	0.40	-	3,550,700	-	3,550,700
October 14, 2017	0.25	-	480,112	-	480,112
October 26, 2017	0.40	-	7,802,700	-	7,802,700
Warrants outstanding	-	-	11,833,512	-	11,833,512

At November 30, 2015, the weighted average remaining contractual life of the warrants is 1.90 years and the weighted average exercise price of the warrants is $0.39.

7. RESEARCH AND DEVELOPMENT

Breathtec US entered into a research agreement (the "Agreement") with the University of Florida and is committed to fund a maximum amount of US $111,844 in accordance with the schedule below after receipt of an invoice. The period of performance will run until January 15, 2016.

Date or Event	Amount
Upon execution of the Agreement	US $ 27,961 (paid)
April 15, 2015 or delivery of first progress report	27,961 (paid)
August 15, 2015 or delivery of second progress report	27,961 (paid)
Later of January 15, 2016 or delivery of final progress report	27,961
	US $ 111,844

During the three months ended November 30, 2015, Breathtec US entered into an agreement with Cannabix Technologies Inc. ("Cannabix") (a company related by way of a common director) in which both parties agreed to share costs for separate research agreements each party has with the University of Florida resulting in a recovery of research and development expenses of $61,780 (US $46,910) and a receivable of $25,303 (US $18,949) due from Cannabix.

8. CAPITAL MANAGEMENT

The Company is actively developing a non-invasive, alternative medical testing solution for various health-related concerns, which involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

There have been no changes to the Company's approach to capital management during the period.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing.

9. RELATED PARTY TRANSACTIONS

The related party transactions that have not been disclosed elsewhere in the condensed consolidated interim financial statements are as follows.

Key management compensation and amounts paid to related parties during the three months ended November 30, 2015 include:

- Professional fees and general and administrative expenses of $76,248 relating to consulting services and salaries paid to officers and directors of the Company.

As at November 30, 2015, accounts payable and accrued liabilities includes $64,730 payable to officers for professional fees.

10. SEGMENTED INFORMATION

The Company has one operating segment, the development of health-related technology in the United States.