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

Condensed Consolidated Interim Financial Statements

Six Months Ended February 29, 2016

(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)

	February 29, 2016	August 31, 2015
Assets		
Current		
Cash and cash equivalents	$ 2,343,372	$ 1,399,835
Accounts receivable	36,869	-
Prepaid expenses	215,525	-
	2,595,766	1,399,835
Non-current		
Incorporation costs	1,371	1,371
Leasehold improvements	30,930	-
	$ 2,628,067	$ 1,401,206
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 6 and 8)	$ 63,535	$ 173,366
Shareholders' Equity		
Capital Stock (note 5)	6,558,722	1,529,745
Reserve (note 5 (d)(e))	2,402,672	-
Accumulated Other Comprehensive Income	161,868	123,864
Deficit	(6,558,730)	(425,769)
	2,564,532	1,227,840
	$ 2,628,067	$ 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 February 29, 2016	Six months ended February 29, 2016
Expenses		
Filing fees	$ 38,042	$ 69,522
General and administrative	159,559	216,462
Professional fees (note 8)	123,290	257,328
Research and development (note 6)	-	(61,780)
Stock-based compensation (note 5 (e))	1,702,324	1,702,324
	(2,023,215)	(2,183,856)
Interest income	168	354
Transaction expense (note 5)	-	(3,949,459)
Net Loss for the Period	(2,023,047)	(6,132,961)
Item that may be Reclassified Subsequently to Profit or Loss		
Foreign exchange gain on translating foreign operations	20,669	38,004
Comprehensive Loss for the Period	(2,002,378)	$ (6,094,957)
Basic and Diluted Loss Per Share	$ (0.04)	$ (0.20)
Weighted Average Number of Common Shares Outstanding	45,278,980	30,442,190

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 5 (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	-	-	-		-
Exercise of warrants	290,000	110,000	-	-	-	110,000
Stock-based compensation	-	-	1,702,324	-	-	1,702,324
Net loss for the period	-	-	-	-	(6,132,961)	(6,132,961)
Other comprehensive loss	-	-	-	38,004	-	38,004
Balance, February 29, 2016	**38,372,698**	**$ 6,558,722**	**$ 2,402,672**	**$ 161,868**	**$ (6,558,730)**	**$ 2,564,532**

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)

	Six months ended February 29, 2016
Operating Activities	
Net loss for period	$ (6,132,961)
Items not involving cash:	
Transaction expense (note 4)	3,949,459
Stock-based compensation (Note 5 (e)	1,702,324
Changes in working capital balances:	
Accounts receivable	(36,869)
Prepaid expenses	113,004
Accounts payable and accrued liabilities	(140,286)
Cash Used by Operating Activities	(545,329)
Financing Activities	
Shares issued upon warrant exercise	110,000
Cash Provided by Financing Activities	110,000
Investing Activities	
Cash received on acquisition of Breathtec	1,371,792
Leasehold improvements	(30,930)
Cash Provided by Investing Activities	1,340,862
Effect of exchange rate fluctuations on cash held	38,004
Inflow of Cash	943,537
Cash, Beginning of Period	1,399,835
Cash, End of Period	$ 2,343,372

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 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.

At present, the Company has no current operating income. The Company will need to raise sufficient working capital to maintain operations. 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. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.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 Financial Reporting Standards ("IFRS") and in compliance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. 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. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information and should be read in conjunction with the Company's audited consolidated financial statements for the period from inception on April 10, 2015 to August 31, 2015 and the audited financial statements of the Company's operating subsidiary, Breathtec Biomedical, Inc. ("Breathtec US"), a company incorporated under the Florida Business Corporations Act ("FBCA") for the 221-day period ended August 31, 2015.

(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 April 28, 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 February 29, 2016.

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

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.

2. BASIS OF PRESENTATION (continued)

(e) Significant accounting judgments, estimates and assumptions

The preparation of these unaudited 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 reporting date, 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; and
- The fair value of the consideration to acquire Breathec.

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 February 29, 2016.
- 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.

3. 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, cash equivalents 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 6).

3. 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 February 29, 2016, the Company had cash of $1,331,872 and short term investments of $1,011,500 available to meet short-term business requirements and current liabilities of $63,535. 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). As at February 29, 2016, the Company has monetary assets of US $778,725 (August 31, 2015 - $1,065,048) and monetary liabilities of US $866 (August 31, 2015 - $131,767). For the period ended February 29, 2016, 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 $52,626. The Company has not entered into any foreign currency contracts to mitigate this risk**.**

4. 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

4. REVERSE TAKEOVER (continued)

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 5 (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

5. 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).

(c) Issued and outstanding (continued)

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

During the six months ended February 29, 2016, 290,000 common shares were issued in connection with the exercise of 40,000 agent warrants at a price of $0.25 per unit and 250,000 share purchase warrants at $0.40 per unit, for gross proceeds of $110,000.

(d) Common shares reserved for issuance

As at February 29, 2016, the Company has 17,293,512 common shares reserved for issuance as follows:

- 11,543,512 share purchase warrants
- 3,750,000 options to purchase common shares granted to various officers, directors, employees and consultants; and
- 2,000,000 to the University of Florida for the acquisition of patents.

5. CAPITAL STOCK (continued)

(e) 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 six months ended February 29, 2016 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

Warrants outstanding as at February 29, 2016 and August 31, 2015 are as follows:

Expiry date	Exercise price ($CAD)	August 31, 2015	Issued	Exercised	February 29, 2016
October 14, 2017	0.40	-	3,550,700	250,000	3,300,700
October 14, 2017	0.25	-	480,112	40,000	440,112
October 26, 2017	0.40	-	7,802,700	-	7,802,700
Warrants outstanding	-	-	11,833,512	290,000	11,543,512

At February 29, 2016, the weighted average remaining contractual life of the warrants is 1.65 years and the weighted average exercise price of the warrants is $0.39.

5. CAPITAL STOCK (continued)

(f) Stock Options

The Company has adopted a Stock Option Plan, which is a `rolling` stock option plan, pursuant to which the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants, non-assignable and non-transferable options to purchase the shares, provided that the number of shares reserved for issuance will not exceed 10% of the then issued and outstanding shares. The options will be exercisable up to 10 years from the date of grant.

Under the plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares and the number of shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. Furthermore, the minimum exercise price of an option granted under the Stock Option Plan must not be less than the Discounted Market Price (as such term is defined in the policies of the Exchange and other applicable regulatory authorities).

During the six months ended February 29, 2016 the Company granted 3,750,000 stock options at a an exercise price of $0.25 with an expiry date of February 1, 2021

The option valuation for the options granted in Q1 2015 was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: a risk free rate of 0.67%, an expected life of 5.00 years, an expected annualized volatility of 100% and no expectation of dividend payments.

Using the above assumptions, the fair value of the stock options granted during the six months ended February 29, 2016 was $1,702,324.

6. 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 or delivery of a final report.

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 [(1)]
	US $ 111, 844

[(1)] *paid subsequent to February 29, 2016 (see Note 10-Subsequent Events)*

6. RESEARCH AND DEVELOPMENT (continued)

During the six months ended February 29, 2016, 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 (received April, 2016) of $25,640 (US $18,949) due from Cannabix.

The Agreement was amended to extend the Agreement by 12 months starting January 16, 2016 and extending through January 15, 2017. The Company will make total payments of US $87,836 by making quarterly payments of US $21,959 with the first payment having been made April 11, 2016.

7. 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.

8. 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 six months ended February 29, 2016 include:

Professional fees and general and administrative expenses of $169,330 relating to consulting services and salaries paid to officers and directors of the Company.

9. RELATED PARTY TRANSACTIONS (continued)

As at February 29, 2016, accounts payable and accrued liabilities includes $250 payable to officers for professional fees.

During the six months ended February 29, 2016, the Company granted a total of 3,750,000 stock options, of which 2,275,000 with a fair value of $1,032,850 were granted to directors and executive officers of the Company.

10. SEGMENTED INFORMATION

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

11. SUBSEQUENT EVENTS

(a) License Agreeement

On April 11, 2016 the Company signed a license agreement with Technion Research and Development Foundation Ltd., an Israeli private company and wholly-owned subsidiary of the Technion – Israeli Institute of Technology ("Technion"), with respect to a non-exclusive license to certain Technion patents and related know-how in connection with the detection of the following indications from exhaled breath: Streptococcus; Methicillin resistant (MRSA); Staphylococcus; Enterococcus; Vancomycin resistant (VRE); Pneumococcus; Hemophilus influenza (HiB); Chickenpox; and common cold (the "License").

In consideration for the License, and subject to regulatory approval, the Company will pay Technion an up-front fee of US $75,000 and issue 1,000,000 common shares of the Company. In addition, upon meeting certain development, regulatory and commercialization milestones, the Company will pay Technion up to a further US $105,000, issue shares with a then current market value of up to US $285,000, pay a royalty rate of 6% of all net sales, and pay an annual maintenance fee of US $37,500. All shares issued to Technion will be subject to a 4 month hold period pursuant to applicable securities laws.

(b) Options Exercised

On March 31, 2016, the Company issued 50,000 common shares pursuant to the exercise of 50,000 stock options at an exercise price of $0.25 per option.

(c) Research and Development

In April, 2016 the Company paid a total of US $49,920 to the University of Florida, US $27,961 being the final payment pursuant to the terms of the first year of the agreement, and US $21,959 upon the execution of the second year of the agreement.