

# **Abattis Bioceuticals Corp.**

## **Condensed Consolidated Interim Financial Statements**

**For the three and six months ended March 31, 2014 and 2013**

(Expressed in Canadian Dollars)

(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Abattis Bioceuticals Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited, Expressed in Canadian Dollars)

	March 31, 2014	September 30, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 450,106	\$ 5,327
Term deposits (Note 3)	3,000,000	-
Trade and other receivables (Note 10(a))	55,837	26,763
Prepaid expenses and other deposits	720,377	39,799
Loan to Phytalytics (Note 4)	66,318	-
	4,292,638	71,889
Property and equipment (Note 5)	473,421	481,296
Intangible assets (Note 6)	1,312,913	1,074,161
Other assets	2,000	2,000
<b>TOTAL ASSETS</b>	<b>\$ 6,080,972</b>	<b>\$ 1,629,346</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables (Note 10(a))	\$ 884,944	\$ 727,610
Interest payables (Note 7 & 12)	41,166	34,689
Short-term loans (Note 7 & 12)	291,709	290,159
Advances payable (Note 8)	18,871	18,871
	1,236,690	1,071,329
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	8,537,452	4,291,204
Reserves	6,661,412	923,359
Accumulated deficit	(10,354,582)	(4,656,546)
	4,844,282	558,017
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 6,080,972</b>	<b>\$ 1,629,346</b>

Nature of operations and going concern (Note 1)  
Commitments (Note 13)  
Events after the reporting date (Note 16)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2014. They are signed on the company's behalf by:

"Rene David"

Director

"Mike Withrow"

Director

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

**Abattis Bioceuticals Corp.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
*(Unaudited, Expressed in Canadian Dollars)*

	For the three months ended		For the six months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>EXPENSES</b>				
Accounting and audit fees	\$ 23,222	\$ 11,342	\$ 41,880	\$ 21,186
Advertising	27,373	35,924	45,640	36,692
Amortization (Note 6)	16,327	18,636	31,948	30,914
Bank service charge	1,358	368	1,894	521
Depreciation (Note 5)	3,931	4,912	7,875	9,837
Domain names	4,571	-	5,571	-
Interest (Note 7 & 12)	3,592	3,095	6,797	6,048
Legal fees	112,262	84,353	164,400	139,225
Management and consulting fees	147,403	74,598	246,023	156,977
Office and general administration	18,151	22,611	31,022	45,464
Regulatory and transfer agents fees	10,409	6,831	13,146	12,014
Research	26,427	34,970	52,607	56,382
Share-based compensation (Note 9(c))	4,915,287	28,669	4,915,287	113,950
Sponsorship	-	10,000	-	10,000
	<b>(5,310,313)</b>	<b>(336,309)</b>	<b>(5,564,090)</b>	<b>(639,210)</b>
<b>OTHER (EXPENSE) INCOME</b>				
Foreign exchange loss	(9,642)	(3,157)	(16,446)	(4,026)
Loss on settlement of trade payable	(135,000)	(29,237)	(117,500)	(29,237)
Other income	-	241	-	868
	<b>(144,642)</b>	<b>(32,153)</b>	<b>(133,946)</b>	<b>(32,395)</b>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (5,454,955)</b>	<b>\$ (368,462)</b>	<b>\$ (5,698,036)</b>	<b>\$ (671,605)</b>
Basic and diluted loss per share	\$ 0.13	\$ 0.01	\$ 0.16	\$ 0.03
Weighted average number of common shares outstanding	42,535,898	27,231,484	35,964,107	23,585,601

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

**Abattis Bioceuticals Corp.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
(Unaudited, Expressed in Canadian Dollars)

For the six months ended March 31, 2013

	Number of common shares	Reserves				Accumulated deficit	Total shareholders' equity
		Share capital	Equity settled share-based payments	Warrants	Total		
Balance, September 30, 2012	18,489,928	\$ 3,350,373	\$ 233,518	\$ 593,631	\$ 827,149	\$ (3,554,055)	\$ 623,467
Net loss and comprehensive loss for the period	-	-	-	-	-	(671,605)	(671,605)
Private placement	2,100,000	92,172	-	12,828	12,828	-	105,000
Share-based compensation	-	-	118,613	-	118,613	-	118,613
Shares issued for acquisition of assets	6,400,000	678,000	-	-	-	-	678,000
Shares issued as settlement of trade payables	869,166	169,658	-	-	-	-	169,658
Share issuance costs	-	(4,400)	-	-	-	-	(4,400)
Warrants exercised for cash	100,000	13,730	(3,730)	-	(3,730)	-	10,000
Balance, March 31, 2013	27,959,094	\$ 4,299,533	\$ 348,401	\$ 606,459	\$ 954,860	\$ (4,225,660)	\$ 1,028,733

For the six months ended March 31, 2014

	Number of common shares	Reserves				Accumulated deficit	Total shareholders' equity
		Share capital	Equity settled share-based payments	Warrants	Total		
Balance, September 30, 2013	28,584,094	\$ 4,291,204	\$ 316,900	\$ 606,459	\$ 923,359	\$ (4,656,546)	\$ 558,017
Net loss and comprehensive loss for the period	-	-	-	-	-	(5,698,036)	(5,698,036)
Private placement	17,333,331	1,794,023	-	1,205,976	1,205,976	-	2,999,999
Share-based compensation	-	-	4,915,287	-	4,915,287	-	4,915,287
Shares issued for acquisition of assets (Note 9)	425,000	270,700	-	-	-	-	270,700
Shares issued as prepayment	827,657	662,125	-	-	-	-	662,125
Share issued as settlement of trade payables	5,625,000	328,750	-	-	-	-	328,750
Share issuance costs	-	(42,100)	-	-	-	-	(42,100)
Options exercised for cash	1,996,000	521,974	(180,434)	-	(180,434)	-	341,540
Warrants exercised for cash	3,040,000	710,776	-	(202,776)	(202,776)	-	508,000
Balance, March 31, 2014	57,831,082	\$ 8,537,452	\$ 5,051,753	\$ 1,609,659	\$ 6,661,412	\$ (10,354,582)	\$ 4,844,282

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

**Abattis Bioceuticals Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited, Expressed in Canadian Dollars)

	<b>For the six months ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss and comprehensive loss for the period	\$ (5,698,036)	\$ (671,605)
Adjustments for non-cash / non-operating items:		
Amortization	31,948	30,914
Depreciation	7,875	9,837
Loss on settlement on trade payables	117,500	29,237
Share-based compensation	4,915,287	113,950
	(625,426)	(487,667)
Net changes in working capital items:		
Trade and other receivables	(29,074)	(9,631)
Prepaid expenses and other deposits	(18,452)	28,126
Trade and other payables	368,583	263,643
Interest payable	6,477	5,966
	(297,892)	(199,563)
<b>FINANCING ACTIVITIES</b>		
Common shares issued for cash, net of cash share issuance costs	2,957,899	100,600
Funding received from Agricultural Investment Foundation	-	15,000
Short-term loan received from related party	1,550	92,000
Options exercise for cash	341,540	10,000
Warrants exercise for cash	508,000	-
	3,808,989	217,600
<b>INVESTING ACTIVITIES</b>		
Acquisitions of BLI & NAB	-	(5,095)
Loan to Phytalytics	(66,318)	-
Purchase of term deposits	(3,000,000)	-
	(3,066,318)	(5,095)
<b>Increase in cash</b>	<b>444,779</b>	<b>12,942</b>
Cash and cash equivalents, beginning of the period	5,327	5,499
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 450,106</b>	<b>\$ 18,441</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash in bank	\$ 450,106	\$ 18,441

Supplemental cash flow information (Note 10(b))

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

## **1 NATURE OF OPERATIONS AND GOING CONCERN**

Abattis Bioceuticals Corp. (the "Company" or "Abattis") was incorporated as Sinocan Capital Group Inc. under the Company Act (Canada British Columbia) on June 30, 1997 and listed and began trading on the Canadian National Stock Exchange ("the Exchange") under the symbol "FLU" on December 23, 2010. From February 21, 2014, the Company commenced trading under the new symbol "ATT". The Company's head office is located at Suite 1000 – 355 Burrard Street, Vancouver, British Columbia, V6C 2G8, Canada.

In March 2013, the Company's management decided to focus its efforts on the legal medical cannabis industry following Health Canada's introduction of its Licensed Producer Program on December 15, 2012. In November 2013, the Company filed its initial MMPR Licensed Producer application with Health Canada and received a list of deficiencies in the application in February 2014. Since then, the Company has been actively working to expand its cannabis-related products and services portfolio, while moving towards securing an MMPR Licensed Producer status.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business in the foreseeable future. These consolidated financial statements do not include any adjustments to the carrying value and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's operations to date have been financed by issuing common shares, debt instruments and government assistance. The Company's ability to continue as a going-concern is dependent upon profitable commercialization of its technologies and the continuing ability to obtain debt or equity financing to fund ongoing operations and research and development activities. The current cash position on hand and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. There is no assurance that additional funding or suitable joint venture arrangements will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding in this fashion, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of the going concern assumption will be in significant doubt.

During the three and six months ended March 31, 2014, the Company has incurred a net loss of \$5,454,955 and \$5,698,036, respectively (March 31, 2013 - \$368,462 and \$671,605, respectively). As at March 31, 2014, the Company had a working capital surplus of \$3,055,948 (September 30, 2013 – deficiency of \$999,440) and an accumulated deficit of \$10,354,582 (September 30, 2013 - \$4,656,546).

## **2 BASIS OF PREPARATION**

### **(a) Statement of compliance**

These unaudited, condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **(b) Basis of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries.

## **2 BASIS OF PREPARATION (continued)**

### **(b) Basis of Consolidation (continued)**

Subsidiaries are controlled by the Company. Control exists when the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control is lost.

At March 31, 2014, the Company's subsidiaries are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>	<b>Abattis' effective interest</b>
Animo Wellness Corporation ("Animo")	Canada	Holds certain licenses	100%
Abattis Bioceuticals International Inc.	United States	Biotechnology	100%
BioCell Labs Inc. ("BLI")	Canada	Biotechnology	100%
North American BioExtracts Inc. ("NAB")	Canada	Biotechnology	100%
Biocube Green Grow Systems Corp.	Canada	Biotechnology	100%
Northern Vine Canada Inc. ("Northern Vine")	Canada	Biotechnology	100%

Intercompany transactions and balances between the Company and its subsidiary are eliminated in full on consolidation.

On April 7, 2014, the Company acquired a 51% membership interest in Phytalytics LLC. On April 8, 2014, the Company incorporated another subsidiary National Access Pharmacy Corp. in Canada. On April 10, 2014, the Company through its wholly owned subsidiary, Northern Vine Canada Inc., entered into a share exchange agreement with Experion Biotechnologies Inc. ("Experion"). Pursuant to the terms of the agreement, Experion and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares. Abattis maintains a 75% ownership in Northern Vine.

### **(c) Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets classified as at fair value through profit or loss or available-for-sale, which are measured at fair value. In addition, the condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company's interim results are not necessarily indicative of its results for the full year.

### **(d) Presentation and functional currency**

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. All amounts in these condensed consolidated interim financial statements are expressed in Canadian dollars, unless otherwise indicated.

### **(e) Significant accounting estimates and judgments**

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future and to exercise judgement in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected.



## **2 BASIS OF PREPARATION (continued)**

### **(e) Significant accounting estimates and judgments (continued)**

The critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements are consistent with those applied in the preparation of and as disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2013.

### **(f) Significant accounting policies**

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of and as disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2013, except for the application of certain new and amended IFRS issued by the IASB, which were effective for the Company beginning October 1, 2013.

### **(g) Adoption of new and revised standards**

The following standards are adopted by the Company for fiscal 2014 and do not have significant impact on the Company's financial statements.

- IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") – amendments
- IFRS 10, *Consolidated Financial Statements* ("IFRS 10")
- IFRS 11, *Joint Arrangements* ("IFRS 11")
- IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")
- IFRS 13, *Fair Value Measurement* ("IFRS 13")
- IAS 27, *Separate Financial Statements* (amended 2011)
- IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28")

### **(h) New standards and interpretations not yet adopted**

The following standards are not effective until fiscal years beginning on or after January 1, 2014, and, unless otherwise indicated, have no effect on the Company's financial performance:

- IFRS 9, *Financial Instruments* ("IFRS 9")
- IAS 32, *Financial Instruments: presentation* ("IAS 32")

## **3 TERM DEPOSITS**

The Company's term deposit matures on March 21, 2015, and bears interest at 1.2% annually.

## **4 LOAN TO PHYTALYTICS**

On March 14, 2014, the Company entered into a one year loan agreement with Phytalytics LLC. with principal amount of \$66,318 (US\$60,000). The loan matures on March 14, 2015 and bears interest at 10% annually.

**Abattis Bioceuticals Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended March 31, 2014 and 2013**  
*(Unaudited, Expressed in Canadian Dollars)*

**5 PROPERTY AND EQUIPMENT**

	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Plant Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>COST</b>					
Balance at September 30, 2012	\$ 2,047	\$ 14,792	\$ 440,000	\$ 47,463	\$ 504,302
Balance at September 30, 2013	2,047	14,792	440,000	47,463	504,302
<b>Balance at March 31, 2014</b>	<b>\$ 2,047</b>	<b>\$ 14,792</b>	<b>\$ 440,000</b>	<b>\$ 47,463</b>	<b>\$ 504,302</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance at September 30, 2012	\$ 829	\$ 559	\$ 1,638	\$ 300	\$ 3,326
Depreciation for the year	365	4,270	12,672	2,373	19,680
Balance at September 30, 2013	1,194	4,829	14,310	2,673	23,006
Depreciation for the period	128	1,494	5,069	1,184	7,875
<b>Balance at March 31, 2014</b>	<b>\$ 1,322</b>	<b>\$ 6,323</b>	<b>\$ 19,379</b>	<b>\$ 3,857</b>	<b>\$ 30,881</b>
<b>CARRYING AMOUNTS</b>					
At September 30, 2012	\$ 1,218	\$ 14,233	\$ 438,362	\$ 47,163	\$ 500,976
At September 30, 2013	853	9,963	425,690	44,790	481,296
<b>At March 31, 2014</b>	<b>\$ 725</b>	<b>\$ 8,469</b>	<b>\$ 420,621</b>	<b>\$ 43,606</b>	<b>\$ 473,421</b>

**6 INTANGIBLE ASSETS**

	<b>Patent</b>	<b>Formulae</b>	<b>License / Right</b>	<b>Total</b>
<b>COST</b>				
Balance at September 30, 2012	\$ 500,000	\$ 250,000	\$ 116,331	\$ 866,331
Additions / disposals	-	78,000	500,000	578,000
Write-off of patent application	(250,000)	-	-	(250,000)
Balance at September 30, 2013	250,000	328,000	616,331	1,194,331
Additions / disposals	-	252,000	18,700	270,700
<b>Balance at March 31, 2014</b>	<b>250,000</b>	<b>580,000</b>	<b>635,031</b>	<b>1,465,031</b>
<b>ACCUMULATED AMORTIZATION</b>				
Balance at September 30, 2012	93,889	17,688	1,790	113,367
Amortization for the year	27,134	14,487	25,693	67,314
Write-off of patent application	(60,511)	-	-	(60,511)
Balance at September 30, 2013	60,512	32,175	27,483	120,170
Amortization for the period	6,765	8,833	16,350	31,948
<b>Balance at March 31, 2014</b>	<b>67,277</b>	<b>41,008</b>	<b>43,833</b>	<b>152,118</b>
<b>CARRYING AMOUNTS</b>				
At September 30, 2012	406,111	232,312	114,541	752,964
At September 30, 2013	189,488	295,825	588,848	1,074,161
<b>At March 31, 2014</b>	<b>\$ 182,723</b>	<b>\$ 538,992</b>	<b>\$ 591,198</b>	<b>\$ 1,312,913</b>

## **7 SHORT-TERM LOANS**

A continuity schedule of the Company's short-term loan for the six months ended March 31, 2014 and the year ended September 30, 2013 is as follows:

		Loan from CEO
<b>Balance at September 30, 2013</b>	\$	290,159
Additions		1,550
<b>Balance at March 31, 2014</b>	\$	291,709

During 2012, the Company obtained a \$140,000 loan from the Chief Executive Officer ("CEO") of the Company, which bears interest at a rate of 8%. The interest on the loan is payable on a monthly basis, and the principal was repayable six months from the date of advance. The loan is secured by all of the Company's property and assets.

During the six months ended March 31, 2014, an additional \$1,550 (year ended September 30, 2013 - \$132,509) in operating cash was advanced by the CEO of the Company without interest. During the three and six months ended March 31, 2014, \$3,272 and \$6,477, respectively (2013 - \$3,014 and \$5,966, respectively) in interest was accrued as interest payable.

On January 20, 2013, the Company and the CEO agreed to extend the repayment date of the short-term loans provided by the CEO unless either parties wishes to intervene and at that time, the loan must be paid in full by the Company. Although the loan must be paid in full by the Company, the parties continue discussions regarding partial repayment and extensions.

## **8 ADVANCES PAYABLE**

On January 30, 2013, the Investment Agriculture Foundation provided \$18,871 to a subsidiary acquired by the Company on March 1, 2013 to develop high value, high quality fractionation processes for surplus berries. Focus has moved away from this project during the year ended September 30, 2013 and therefore funds advanced by the Investment Agriculture Foundation will be repaid. During the six months ended March 31, 2014, no fund were repaid by the Company.

## **9 SHARE CAPITAL**

### **(a) Common shares**

#### ***Authorized***

There are an unlimited number of common shares without par value authorized for issuance.

#### ***Issued***

#### During the year ended September 30, 2013

On November 26, 2012, the Company issued 2,500,000 common shares with a fair value of \$150,000 and on December 27, 2012, the Company issued 3,500,000 common shares with a fair value of \$350,000 as consideration to acquire the exclusive, worldwide rights to a patent license from Vertical Designs Ltd.

**9 SHARE CAPITAL (continued)**

**(a) Common shares (continued)**

On December 12, 2012, the Company completed a non-brokered private placement of 2,100,000 units at a price of \$0.05 per unit for gross proceeds of \$105,000. Each unit consists of one common share and one share purchase warrant of the Company. Each share purchase warrant will entitle the holder to purchase one additional common share at a price of \$0.13 per share for a period of one year, subject to forced acceleration in the event the Company's shares close at a price of \$0.20 or higher per share on the Canadian National Stock Exchange (or such other stock exchange as the majority of the trading volume of the Company's shares occur) for 10 consecutive trading days. \$92,172 of the proceeds was allocated to share capital and \$12,828 of the proceeds was allocated to warrant reserve. Share issuance costs of \$4,400 were paid for this private placement.

On January 14, 2013, the Company issued 200,000 common shares with a fair value of \$36,000 to settle a trade payable of \$36,000.

On January 16, 2013, the Company issued 200,000 common shares to consultants of the Company with aggregate fair value of \$25,000 for consulting services.

On January 16, 2013, the Company issued 213,333 common shares with a fair value of \$57,600 to settle a trade payable of \$40,000.

On February 6, 2013, the Company issued 122,500 common shares with a fair value of \$25,725 to the CEO of the Company to settle a trade payable of \$18,988.

On March 13, 2013, 100,000 share purchase options were exercised at an exercise price of \$0.10 per share purchase option for total proceeds of \$10,000.

On March 18, 2013, the Company issued 133,333 common shares with a fair value of \$25,333 to settle a trade payable of \$20,434.

On March 28, 2013, the Company issued 400,000 common shares, with a fair value of \$78,000 to acquire a portfolio of natural health product formulae focusing on pain management, immunity and inflammation and cognitive function.

On April 15, 2013, the Company issued 625,000 common shares with a fair value of \$93,750 to settle a trade payable of \$50,000.

During the six months ended March 31, 2014

On December 6, 2013, the Company issued 3,500,000 common shares with a fair value of \$87,500 to settle a trade payable of \$105,000.

On January 16, 2014, the Company issued 625,000 common shares with a fair value of \$31,250 to settle a trade payable of \$31,250.

On January 28, 2014, the Company issued 1,500,000 common shares with a fair value of \$210,000 to settle a trade payable of \$75,000.

## **9 SHARE CAPITAL (continued)**

### **(a) Common shares (continued)**

On February 11, 2014, the Company completed a non-brokered private placement of 12,000,000 units at a price of \$0.05 per unit for gross proceeds of \$600,000. Each unit consists of one common share and one-half share purchase warrant of the Company. Each share purchase warrant will entitle the holder to purchase one additional common share at a price of \$0.10 per share for a period of one year. \$477,034 of the proceeds was allocated to share capital and \$122,966 of the proceeds was allocated to warrant reserve. Share issuance costs of \$36,300 were paid for this private placement.

On February 21, 2014, the Company issued 100,000 common shares with a fair value of \$17,000 as consideration to acquire the exclusive world wide distribution rights to Jiangsu Jiahui New Material Co Ltd's innovative MgO (Magnesium Oxide) products for use in any building or facility designed to cultivate botanicals. 10,000 common shares with a fair value of \$1,700 was paid to the finder.

On March 7, 2014, the Company issued 827,657 common shares with a fair value of \$662,125 to consultants of Phytalytics LLC. (Note 16)

On March 7, 2014, the Company issued 300,000 common shares with a fair value of \$240,000 as consideration to acquire the organic and hydroponic fertilizer and nutritional formulas from Green-Gro Garden Products Ltd. 15,000 common shares with a fair value of \$12,000 was paid to the finder.

On March 17, 2014, the Company completed a non-brokered private placement of 5,333,331 units at a price of \$0.45 per unit for gross proceeds of \$2,399,999. Each unit consists of one common share and one share purchase warrant of the Company. Each share purchase warrant will entitle the holder to purchase one additional common share at a price of \$0.50 per share for a period of 18 months, subject to forced acceleration in the event the Company's shares close at a price of \$0.75 or higher per share on the Canadian National Stock Exchange (or such other stock exchange as the majority of the trading volume of the Company's shares occur) for 10 consecutive trading days. \$1,316,989 of the proceeds was allocated to share capital and \$1,083,010 of the proceeds was allocated to warrant reserve. Share issuance costs of \$5,800 were paid for this private placement.

During the six months ended March 31, 2014, 1,996,000 options were exercised for \$341,540 cash. \$180,434 equity settled share based payments reserve was transferred to share capital on exercise of options.

During the six months ended March 31, 2014, 3,040,000 warrants were exercised for \$508,000 cash. \$202,776 warrants reserve was transferred to share capital on exercise of warrants.

### **(b) Share purchase options**

The Company has a share purchase option plan (dated June 18, 2012) which specifies that a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are fixed by the board of directors and are not to exceed ten years. The exercise prices of the share options shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant the share purchase options, less any discount permitted by the Exchange. Vesting of options will be at the discretion of the Board.

**Abattis Bioceuticals Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended March 31, 2014 and 2013**  
*(Unaudited, Expressed in Canadian Dollars)*

**9 SHARE CAPITAL (continued)**

**(b) Share purchase options (continued)**

A continuity schedule of the Company's outstanding options for the six months ended March 31, 2014 and the year ended September 30, 2013 is as follows:

	Number outstanding	Weighted average exercise price
<b>Balance at September 30, 2012</b>	890,000 \$	0.33
Granted	2,290,000	0.11
Exercised	(100,000)	0.10
Cancelled	(150,000)	0.10
Expired	(355,000)	0.21
<b>Balance at September 30, 2013</b>	2,575,000 \$	0.17
Granted	5,619,100	1.05
Exercised	(1,996,000)	0.17
Cancelled	(555,000)	0.12
<b>Balance at March 31, 2014</b>	<b>5,643,100 \$</b>	<b>1.05</b>

As of March 31, 2014, the Company had options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price \$	Weighted average remaining contractual life (in years)
May 12, 2016	660,000	660,000	0.35	2.12
December 24, 2017	525,000	525,000	0.10	3.74
December 28, 2017	20,000	20,000	0.10	3.75
January 31, 2018	50,000	50,000	0.21	3.84
January 16, 2019	250,000	250,000	0.10	4.80
January 29, 2019	300,000	300,000	0.12	4.84
February 18, 2019	475,000	475,000	0.17	4.89
February 26, 2019	110,000	110,000	0.26	4.91
February 27, 2019	200,000	200,000	0.36	4.92
March 4, 2019	440,000	440,000	0.45	4.93
March 10, 2019	330,000	330,000	0.80	4.95
March 19, 2019	250,000	250,000	2.26	4.97
March 19, 2019	1,533,100	1,533,100	2.20	4.97
March 31, 2019	500,000	500,000	2.00	5.00
	<b>5,643,100</b>	<b>5,643,100</b>		<b>4.48</b>

**(c) Share-based compensation**

The estimated fair value of options granted to executive officers, directors, and consultants is recognized over the vesting period of the options. During the three and six months ended March 31, 2014, \$nil and \$4,915,287, respectively (2013 - \$28,669 and \$113,950, respectively) share-based compensation expense was incurred. The weighted average fair value of share options granted during the six months ended March 31, 2013 was \$0.87 per option.

**Abattis Bioceuticals Corp.**  
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**9 SHARE CAPITAL (continued)**

**(c) Share-based compensation (continued)**

The estimated fair value of share options granted during the six months ended March 31, 2013 was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2014	2013
Annualized volatility	116.21%	117.76%
Risk-free interest rate	1.36%	1.16%
Expected life	3.72 years	5 years
Dividend yield	nil%	nil%
Share price	\$1.07	\$0.07
Exercise price	\$1.05	\$0.15

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing assumptions do not necessarily provide a reliable measure of the future fair value of the Company's share purchase options.

**(d) Warrants**

A continuity schedule of the Company's outstanding warrants for the six months ended March 31, 2014 and year ended September 30, 2013 is as follows:

	Number Outstanding	Weighted Average Exercise Price
<b>Balance at September 30, 2012</b>	3,670,000	\$ 0.28
Granted	2,100,000	0.13
Expired	(1,200,000)	0.35
<b>Balance, September 30, 2013</b>	4,570,000	\$ 0.20
Granted	11,333,331	0.29
Exercised	(3,040,000)	0.17
<b>Balance, March 31, 2014</b>	12,863,331	\$ 0.29

As of March 31, 2014, the Company had warrants outstanding as follows:

Expiry date	Number of common shares issuable upon exercise	Exercise price \$	Weighted average remaining contractual life (in years)
February 14, 2015	6,000,000	0.10	0.88
October 7, 2015	1,530,000	0.25	1.52
September 19, 2015	5,333,331	0.50	1.47
	12,863,331		1.20

## 10 ADDITIONAL FINANCIAL INFORMATION

### (a) Statement of financial position

	March 31, 2014	September 30, 2013
Trade and other receivables		
GST receivable	\$ 53,362	\$ 26,763
Share subscription receivable	2,475	-
	<u>\$ 55,837</u>	<u>\$ 26,763</u>
Trade and other payables		
Trade payables	\$ 377,292	\$ 238,956
Accrued liabilities	157,729	179,472
Due to related parties (Note 12)	305,031	306,363
Payroll liabilities	-	2,819
Overpaid subscription	44,892	-
	<u>\$ 884,944</u>	<u>\$ 727,610</u>

### (b) Supplemental cash flow information

	For the six months ended	
	March 31, 2014	March 31, 2013
Shares issued for acquisition of assets	\$ (270,700)	\$ (678,000)
Shares issued for prepayment	(662,125)	-
Shares issued for settlement of trade payable	(328,750)	(169,685)
Transfer from warrants reserve to share capital on exercise of warrants	202,776	-
Transfer to warrants reserve fair value of warrants issued on private placement	(1,205,976)	-
Transfer from equity settled share based payments reserve to share capital on exercise of options	180,434	3,730

## 11 FINANCIAL INSTRUMENTS

IFRS 7 *Financial Instruments*: Disclosures establishes a fair value hierarchy that prioritises the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's cash and investments, term deposits are all classified at level one of the fair value hierarchy. At March 31, 2014, the Company had no other financial assets or liabilities measured at fair value on a recurring or non-recurring basis.

At March 31, 2014, the fair values of trade and other receivables, trade and other payables, loan to Phytalytics interest payable, short-term loans and advances payable approximate their carrying amounts due to the short-term nature of these instruments.



## 12 RELATED PARTY TRANSACTIONS

### (a) Management transactions

Management transactions with related parties during the six months ended March 31, 2014 and March 31, 2013 were as follows:

	March 31, 2014			March 31, 2013		
	Short-term employee benefits	Share-based compensation	Total	Short-term employee benefits	Share-based compensation	Total
Mike Withrow (i)	\$ 74,875	\$ 2,316,378	\$ 2,391,253	\$ 60,000	\$ 14,549	\$ 74,549
Rene David (ii)	62,500	730,841	793,341	-	-	-
	\$ 137,375	\$ 3,047,219	\$ 3,184,594	\$ 60,000	\$ 14,549	\$ 74,549

(i) Mike Withrow is the President and CEO of the Company. During the six months ended March 31, 2014 1,650,000 (2013 - 390,000) stock options, with an estimated fair value of \$2,316,378 (2013 - \$14,549) were granted by the Company to Mr. Withrow and Chiron Capital Inc., a company controlled by Mr. Withrow. During the six months ended March 31, 2014, 5,000,000 (2013 - 122,500) common shares, with an estimated fair value of \$297,500, (2013 - \$25,725), were issued by the Company to Mr. Withrow to settle a trade payable of \$180,000 (2013 - \$18,988). At March 31, 2014, \$18,270 due to Mr. Withrow was included in trade and other payables (September 30, 2013 - \$142,344), operating cash of \$291,709 (September 30, 2013 - \$290,159) provided by Mr. Withrow was included in short-term loan and accrued interest of \$20,945 (September 30, 2013 - \$14,468) was included in interest payable.

(ii) Rene David is the Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") of the Company. During six months ended March 31, 2014, 1,130,000 (2013 - nil) stock options with an estimated fair value of \$730,841 (2013 - \$nil) were granted by the Company to Crimson Opportunities Ltd., a company controlled by Mr. David. During the six months ended March 31, 2014, 625,000 (2013 - nil) common shares, with an estimated fair value of \$31,250 (2013 - \$nil) were issued by the Company to Crimson Opportunities Ltd. to settle a trade payable of \$31,250 (2013 - \$nil). At March 31, 2014, \$34,467 (September 30, 2013 - \$nil) due to Mr. David and Crimson Opportunities Ltd. was included in trade and other payables.

Transactions with related parties have been in the normal course of operations and, in management's opinion, undertaken on the same terms and conditions as transactions with unrelated parties. These costs are measured at exchange amounts agreed upon by the parties.

### (b) Director's transactions

	March 31, 2014			March 31, 2013		
	Consulting fees	Share-based compensation	Total	Consulting fees	Share-based compensation	Total
Terence Fealey (i)	\$ 51,679	\$ -	\$ 51,679	\$ 49,766	\$ 2,798	\$ 52,564

(i) Mr. Fealey is a director of the Company. During the six months ended March 31, 2014, nil stock options (six months ended - 75,000, with an estimated fair value of \$2,798) were granted by the Company to Mr. Fealey. At March 31, 2014, \$180,191 due to Mr. Fealey and was included in trade and other payables (September 30, 2013 - \$118,302).

## **12 RELATED PARTY TRANSACTIONS (continued)**

### **(b) Director's transactions (continued)**

(ii) During the six months ended March 31, 2014, a law firm, of which a director is a one-third partner, provided legal services totaling \$22,233 (2013 - \$15,747) to the Company. At March 31, 2014, \$72,102 (September 30, 2013 - \$45,717) due to this law firm was included in trade and other payables.

(iii) During the six months ended March 31, 2014, 450,000 share purchase options (2013 - 480,000) with an estimated fair value of \$894,879 (2013 - \$32,577) were granted to other directors of the Company.

## **13 COMMITMENTS**

On March 1, 2012, the Company entered into a 3 year consulting agreement with one of the directors of the Company. Under the agreement, the Company will pay US \$8,000 per month to this director for consulting and research and development services. The contract expires on March 1, 2015 and if the contract is terminated at the Company's discretion, the director is entitled to receive three months' fees over and above the thirty day notice period.

On April 20, 2012, the Company entered into an exclusive distribution agreement with Hedley Enterprises Ltd. ("Hedley") to purchase, resell and distribute Abattis' line of natural products in Canada. Under the terms of the Agreement Hedley has acquired the exclusive right to sell and distribute Abattis' products to all retail distribution channels, which include health food stores, grocery stores, fitness facilities, and similar retail establishments.

On May 21, 2012, the Company entered into a two year finder's fee agreement with VentureCorp 2 Capital Inc. Under the agreement, the Company will pay to the finder a cash fee equal to 10% of the gross proceeds raised by the Company through the sale of shares or units to investors introduced by the finder. The Company will also issue to the finder non-transferable compensation warrants in an amount equal to 5% of the aggregate number of shares or units subscribed for by the investors introduced by the finder. Each finder's warrant will entitle the finder to acquire one common share of the Company, exercisable for a period of 12 months from closing date at an exercise price equal to the price per share or unit.

On November 1, 2012, the Company renewed a three year office lease with Toro Holdings Ltd. The Company's minimum annual lease commitments over the next two years are as follows:

2014 - \$22,541

2015 - \$27,772

On December 27, 2012, the Company entered into a license agreement with Vertical Designs Ltd. ("Vertical Designs") Under the agreement, the Company has been granted the exclusive, worldwide rights to a patent license, with the right to grant sublicenses, to use the Bio Pharma technology for growing products at licensed facilities, which products may only be used as ingredients in the pharmaceutical, nutraceutical, cosmetic and wellness markets. The royalty provisions of the license agreement reflect that: (i) the royalty payable on net sales of all products sold by Abattis was 4%; (ii) in consideration for the grant of the Company's right to grant sublicenses, the Company will pay to Vertical Designs Ltd. a sublicense royalty of 15% of any monies or other consideration that the Company receives from any sublicense; and (iii) after two years, the Company will be required to pay to Vertical Designs Ltd. a minimum royalty payment of \$25,000 per year and if the combined royalty payments paid from (i) and (ii) above do not equal \$25,000 in any given year then the Company will be permitted to top up such amount with a cash payment. Under the terms of the agreement, the patent license will revert to Vertical Designs Ltd. in certain circumstances, including: (i) if the Company terminates the agreement; (ii) if the Company materially breaches or defaults in the performance of the agreement and has not cured such default within 60 days, or in the case of failure to pay any amounts due, then within 30 days, after receiving written notice from Vertical Designs Ltd. specifying the breach; (iii) if the Company discontinues

### **13 COMMITMENTS (continued)**

its business of producing ingredients for pharmaceutical, nutraceutical, cosmetic or wellness markets; (iv) if the Company fails to pay the annual \$25,000 minimum royalty payment for any year ending after the second anniversary of the agreement; or (v) if the Company becomes insolvent, makes an assignment for the benefit of creditors or has a petition of bankruptcy filed by or against it, which petition is not vacated or otherwise removed within 90 days after the filing thereof. The Company also agreed to pay Vertical Designs \$250,000 for the purchase and sale of six complete Vertical Designs operational units. The purchase price will be paid in instalments, dates and amounts are to be determined between the parties, with the first payment due on or before the earlier of five business days following the Company completing an equity and/or debt financing of any amount or the first business day in the seventh month following the date of the Bill of Sale.

On January 6, 2013, the Company entered into a two year consulting agreement with Georges Laraque Management Inc. Under the agreement, the Company will pay consulting fees of \$5,000 per month.

On October 1, 2013, the Company entered into a consulting agreement with Crimson Opportunities Ltd., a company controlled by the CFO of the Company for his services as CFO and COO. Under the agreement, the Company will pay annual consulting fees of \$125,000 (excluding GST).

In December 2013, the Company's wholly owned subsidiary, Animo Wellness Corporation doing business as Medical Marijuana Labs ("MMLC"), signed a five year lease with PurGenesis Technologies, Inc. for the lease of approximately 5,000 square feet of lab and production space at a cost of \$120,000 in annual gross rent.

On January 1, 2014, the Company entered into a consulting agreement with the Chiron Capital Corp., a company controlled by the CEO of the Company for his services as CEO. Under the agreement, the Company will pay annual consulting fees of \$175,000 (excluding GST).

On January 1, 2014, the Company entered into a consulting agreement with Growing Strategies Inc. Under the agreement, the Company will pay monthly consulting fees of \$4,000 (excluding GST).

On January 1, 2014, the Company entered into a consulting agreement with Voelpel Gold Medal Investment Ltd. Under the agreement, the Company will pay monthly consulting fees of \$3,000 (excluding GST).

On February 1, 2014, the Company entered into a consulting agreement with Golden Straw Consulting Group Inc. Under the agreement, the Company will pay monthly consulting fees of \$5,000 (excluding GST).

On March 16, 2014, the Company entered into a one year consulting agreement with Think Sharp Inc. Under the agreement, the Company will pay monthly consulting fees of \$10,000 and monthly administration fees of \$100 (excluding GST) in cash and 6,000 common shares per month.

#### **14 CONTINGENT LIABILITY**

On September 20, 2012, a claim, which is based on a contract dated June 29, 2009 between the Company and the plaintiff, was filed against the Company. The plaintiff and the Company entered into an agreement dated May 16, 2011 to settle a dispute between the two parties over the contract dated June 29, 2009. The Company made an initial payment of \$5,000 to the plaintiff, as per the agreement dated May 16, 2011. However, the plaintiff did not transfer the payment to an individual named in the agreement nor did the plaintiff instruct this individual appropriately. As such, the Company refused to make any further payments under this agreement until those events have taken place. The plaintiff claims that the agreement of May 16, 2011 is not binding and is seeking payment of \$145,000. The outcome of this claim is not determinable and therefore no amount has been recorded for any potential payments which may have to be made.

During 2013 and six months ended March 31, 2014, four claims were pending against the Company. These claims are outstanding as at March 31, 2014 and the plaintiffs are claiming an aggregate of approximately \$421,000. The outcomes of these claims are not determinable and therefore no amounts have been recorded for any potential payments which may have to be made.

#### **15 MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

#### **16 EVENTS AFTER THE REPORTING DATE**

The following events occurred subsequent to March 31, 2014:

- On April 1, 2014, the Company issued 43,440 common shares to a law firm, of which a director is a one-third partner, to settle a trade payable of US \$62,554.
- On April 1, 2014, the Company entered into a consulting agreement with TDM Financial as its full service investor relations firm to provide online branding, marketing, outreach, and investor relations management services. Pursuant to the agreement, the Company will pay US \$25,000 consulting fee in common share to TDM Financial.
- On April 7, 2014, the Company acquired a 51% membership interest in Phytalytics LLC. Total consideration included US \$20,000 in cash and 827,657 common shares issued on March 7, 2014 to consultants of Phytalytics LLC.
- On April 8, 2014, the Company incorporated another subsidiary National Access Pharmacy Corp. in Canada.

**16 EVENTS AFTER THE REPORTING DATE (continued)**

- On April 10, 2014, the Company through its wholly owned subsidiary, Northern Vine Canada Inc., entered into a share exchange agreement with Experion Biotechnologies Inc. ("Experion"). Pursuant to the terms of the agreement, Experion and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares. Abattis maintains a 75% ownership in Northern Vine.
- On April 23, 2014, the Company announced a proposed private placement of up to \$2,000,000. This proposed financing was cancelled on May 23, 2014 due to current fluctuating market prices and the Company's lack of immediate need for funds.
- On April 28, 2014, 40,000 warrants were exercised for \$10,000 cash.
- On May 1, 2014, the Company issued an aggregate of 33,669 common shares at a deemed price of \$0.99 per share to two service providers as consideration for services provided to the Company.
- On May 2, 2014, the Company through its wholly owned Washington subsidiary Abattis Bioceuticals International Inc. acquired 34% interest in Instant Payment Systems LLC (IPS), a US entity based in Washington State, in consideration for 200,000 common shares at a deemed price of \$1.15 per share and \$100,000 in cash. Under the terms of the agreement, the Company will receive 60% economic interest with the responsibility of being the marketing and sales arm of the organization.