



**Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended June 30, 2014**

(Unaudited)

(Expressed in Canadian Dollars)

#### **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)**

<i>As at</i>		June 30, 2014	September 30, 2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$	625,481	\$ 5,327
Term deposits (note 4)		1,895,000	-
Marketable securities		200,000	-
Trade and other receivables (note 5)		116,015	26,763
Prepaid expenses and other deposits		589,944	39,799
		<b>3,426,440</b>	<b>71,889</b>
<b>NON CURRENT ASSETS</b>			
Property and equipment (note 5)		615,950	481,296
Intangible assets (note 6)		1,305,459	1,074,161
Other assets		2,000	2,000
Investment in associates (note 8)		280,000	-
		<b>2,203,409</b>	<b>1,557,457</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>5,629,849</b>	<b>\$ 1,629,346</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables (note 9)	\$	692,448	\$ 727,610
Interest payable (note 10)		-	34,689
Short-term loans (note 10)		-	290,159
Advances payable (note 11)		18,871	18,871
		<b>711,319</b>	<b>1,071,329</b>
<b>TOTAL LIABILITIES</b>		<b>711,319</b>	<b>1,071,329</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (note 12)	\$	9,388,721	\$ 4,291,204
Shares subscribed (note 12)		189,975	-
Equity settled share-based payments		454,934	316,900
Warrants		1,493,041	606,459
Accumulated deficit		(6,621,204)	(4,656,546)
Non-controlling interest		13,063	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,918,530</b>	<b>558,017</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$</b>	<b>5,629,849</b>	<b>\$ 1,629,346</b>

*Nature of operations and going concern (note 1)*

*Commitments (notes 15)*

*Contingencies (notes 16)*

*Subsequent events (note 14 and 19)*

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

*These consolidated interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:*

*/s/ Douglas Sorocco* Director

*/s/ Mike Withrow* Director

**Abattis Biocentials Corp.**
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)**  
**(Expressed in Canadian Dollars)**

	For the three months ended		For the nine months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>REVENUE</b>				
Sales	\$ -	\$ 16,820	\$ -	\$ 17,448
Cost of goods sold	-	(10,200)	-	(10,200)
<b>GROSS PROFIT</b>	-	<b>6,620</b>	-	<b>7,248</b>
<b>EXPENSES</b>				
Accounting and audit fees	\$ 30,312	\$ 7,126	\$ 72,192	\$ 28,312
Advertising	154,645	13,720	200,285	50,413
Amortization	17,765	17,360	49,713	48,273
Bank service charge	931	245	2,825	766
Depreciation	11,851	4,919	19,726	14,755
Domain names	-	4,919	5,571	4,919
Interest	2,249	3,487	9,046	9,293
Legal fees	201,666	30,481	366,066	129,706
Management and consulting fees	294,647	83,868	540,670	240,845
Office and general administration	131,763	31,554	162,785	77,020
Regulatory and transfer agents fees	24,141	3,722	37,287	15,736
Research	29,752	38,215	82,359	94,596
Share-based payments (note 12)	-	14,681	4,915,287	128,631
Sponsorship	18,410	-	18,410	10,000
	<b>(918,132)</b>	<b>(254,297)</b>	<b>(6,482,222)</b>	<b>(853,265)</b>
<b>OTHER INCOME (EXPENSES)</b>				
Foreign exchange gain (loss)	5,078	(4,974)	(11,368)	(9,000)
Loss on cancellation and settlement of trade payables	-	(21,875)	(117,500)	(51,112)
Other income	1,577	-	1,577	-
Bargain purchase (note 4)	21,712	-	21,712	-
	<b>\$ 28,367</b>	<b>\$ (26,849)</b>	<b>\$ (105,579)</b>	<b>\$ (60,112)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (889,765)</b>	<b>\$ (274,526)</b>	<b>\$ (6,587,801)</b>	<b>\$ (906,129)</b>
<b>Comprehensive loss for the period attributable to:</b>				
Common shareholders	(860,643)	(274,526)	(6,558,679)	(906,129)
Non-controlling interest	(29,122)	-	(29,122)	-
	<b>\$ (889,765)</b>	<b>\$ (274,526)</b>	<b>\$ (6,587,801)</b>	<b>\$ (906,129)</b>
<b>Basic and diluted loss per share basic, for loss for the period attributable to common shareholders (options and warrants not included as the impact would be anti-dilutive)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.15)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>58,528,908</b>	<b>28,487,940</b>	<b>43,592,839</b>	<b>25,217,424</b>

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

**Abattis Biocentials Corp.**
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)**  
**(Expressed in Canadian Dollars)**

	Share capital		Shares subscribed	Reserves		Total	Deficit	Non-controlling interests	Total
	Number of shares	Amount		Equity settled share-based payments	Warrants reserve				
<b>Balance at September 30, 2012</b>	<b>18,489,928</b>	<b>\$ 3,350,373</b>	<b>\$ -</b>	<b>\$ 233,518</b>	<b>\$ 593,631</b>	<b>\$ 827,149</b>	<b>\$ (3,554,055)</b>	<b>\$ -</b>	<b>\$ 623,467</b>
Shares issued for cash - private placement	2,100,000	92,172	-	-	12,828	12,828	-	-	105,000
Share issue costs	-	(4,400)	-	-	-	-	-	-	(4,400)
Shares issued for cash - stock option exercise	100,000	10,000	-	-	-	-	-	-	10,000
Shares issued for acquisition of assets	6,400,000	578,000	-	-	-	-	-	-	578,000
Shares issued as settlement of trade payables	1,494,166	241,533	-	-	-	-	-	-	241,533
Reclassification of grant-date fair value on exercise of stock options	-	3,730	-	(3,730)	-	(3,730)	-	-	-
Reclassification of grant-date fair value on expired warrants	-	-	-	-	(94,514)	(94,514)	94,514	-	-
Reclassification of grant-date fair value on cancelled options	-	-	-	(43,387)	-	(43,387)	43,387	-	-
Share-based payments	-	-	-	128,631	-	128,631	-	-	128,631
Net loss for the period	-	-	-	-	-	-	(906,129)	-	(906,129)
<b>Balance at June 30, 2013</b>	<b>28,584,094</b>	<b>\$ 4,271,408</b>	<b>\$ -</b>	<b>\$ 315,032</b>	<b>\$ 511,945</b>	<b>\$ 826,977</b>	<b>\$ (4,322,283)</b>	<b>\$ -</b>	<b>\$ 776,102</b>
<b>Balance at September 30, 2013</b>	<b>28,584,094</b>	<b>\$ 4,291,204</b>	<b>\$ -</b>	<b>\$ 316,900</b>	<b>\$ 606,459</b>	<b>\$ 923,359</b>	<b>\$ (4,656,546)</b>	<b>\$ -</b>	<b>\$ 558,017</b>
Shares issued for cash - private placement	17,333,331	1,794,023	-	-	1,205,976	1,205,976	-	-	2,999,999
Share issue costs	-	(42,100)	-	-	-	-	-	-	(42,100)
Shares issued for acquisition of assets	425,000	270,700	-	-	-	-	-	-	270,700
Shares issued for acquisition of Instant Payment Systems LLC	200,000	180,000	-	-	-	-	-	-	180,000
Shares issued as prepayment	827,657	579,360	-	-	-	-	-	-	579,360
Shares issued as settlement of trade payables	5,668,440	397,920	-	-	-	-	-	-	397,920
Shares issued for services	169,334	92,698	-	-	-	-	-	-	92,698
Share subscribed	-	-	189,975	-	-	-	-	-	189,975
Shares issued for cash - warrant exercise	7,481,000	973,250	-	-	-	-	-	-	973,250
Shares issued for cash - stock option exercise	2,071,000	349,040	-	-	-	-	-	-	349,040
Reclassification of grant-date fair value on exercise of warrants	-	319,394	-	-	(319,394)	(319,394)	-	-	-
Reclassification of grant-date fair value on exercise of stock options	-	183,232	-	(183,232)	-	(183,232)	-	-	-
Reclassification of grant-date fair value on cancelled options	-	-	-	(4,594,021)	-	(4,594,021)	4,594,021	-	-
Non-controlling interest on acquisition	-	-	-	-	-	-	-	42,185	42,185
Share-based payments	-	-	-	4,915,287	-	4,915,287	-	-	4,915,287
Net loss per the period	-	-	-	-	-	-	(6,558,679)	(29,122)	(6,587,801)
<b>Balance at June 30, 2014</b>	<b>62,759,856</b>	<b>\$ 9,388,721</b>	<b>\$ 189,975</b>	<b>\$ 454,934</b>	<b>\$ 1,493,041</b>	<b>\$ 1,947,975</b>	<b>\$ (6,621,204)</b>	<b>\$ 13,063</b>	<b>\$ 4,918,530</b>

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)**

	For the nine months ended	
	June 30, 2014	June 30, 2013
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period</b>	\$ (6,587,801)	\$ (906,129)
<b>Adjustments for items not affecting cash:</b>		
Amortization	54,380	48,273
Depreciation	15,059	14,755
Loss on settlement on trade payables	117,500	51,112
Share-based payments	4,915,287	128,631
Bargain purchase	(21,712)	-
	(1,507,287)	(663,358)
<b>Net changes in non-cash working capital items:</b>		
Trade and other receivables	(89,252)	(24,279)
Prepaid expenses	29,215	29,337
Trade and other payables	337,956	420,391
Interest payable	(34,689)	9,043
<b>Net cash flows used in operating activities</b>	<b>(1,264,057)</b>	<b>(228,866)</b>
<b>FINANCING ACTIVITIES</b>		
Common shares issued for cash, net of share issue costs	4,280,189	110,600
Funding received from Agricultural Investment Foundation	-	18,871
Short-term loan received from related party	-	100,709
Shares subscribed	189,975	-
Repayment of short-term loan	(290,159)	-
<b>Net cash flows from financing activities</b>	<b>4,180,005</b>	<b>230,180</b>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of BLI and NAB	-	(5,095)
Purchase of term deposits	(1,895,000)	-
Purchase of marketable securities	(200,000)	-
Investment in subsidiaries, net of cash assumed on acquisition	63,037	-
Investment in associates	(100,000)	-
Purchase of intangible assets	(10,311)	-
Purchase of equipment	(153,520)	-
<b>Net cash flows used in investing activities</b>	<b>(2,295,794)</b>	<b>(5,095)</b>
<b>Net increase (decrease) in cash</b>	<b>620,154</b>	<b>(3,781)</b>
<b>Cash, beginning of period</b>	<b>5,327</b>	<b>5,499</b>
<b>Cash, end of period</b>	<b>\$ 625,481</b>	<b>\$ 1,718</b>
<b>Cash paid during the period for interest</b>	<b>-</b>	<b>-</b>
<b>Cash paid during the period for income taxes</b>	<b>-</b>	<b>-</b>

Supplementary cash flow information (note 13)

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

## **Abattis Bioceuticals Corp.**

### **Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

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#### **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.

Abattis Bioceuticals Corporation is a biotechnology company with capabilities, through its wholly owned subsidiaries, of producing, licensing and marketing proprietary ingredients and formulas for use in the BioPharma, Nutraceutical, Cosmetic and Animal Nutrition markets. The Company has a pipeline of proprietary products ready for sale in the Functional Foods and Supplements business.

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 nine months ended June 30, 2014, the Company has incurred a net loss of \$6,587,801 and (June 30, 2013 \$906,129). As at June 30, 2014, the Company had a working capital of \$2,715,121 (September 30, 2013 – working capital deficiency of \$999,440) and an accumulated deficit of \$6,621,204 (September 30, 2013 \$4,656,546).

#### **2. BASIS OF PREPARATION**

##### **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").

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

**2. BASIS OF PREPARATION (continued)****Basis of Consolidation**

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

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 June 30, 2014 and September 30, 2013, the Company's subsidiaries are as follows:

	Country of incorporation	Principal Activity	Percentage owned*	
			June 30, 2014	September 30, 2013
Animo Wellness Corporation ("Animo")	Canada	Holds certain licenses	100%	100%
Abattis Bioceuticals International Inc.	United States	Biotechnology	100%	Nil
BioCell Labs Inc. ("BLI")	Canada	Biotechnology	100%	100%
North American BioExtracts Inc. ("NAB")	Canada	Biotechnology	100%	100%
Biocube Green Grow Systems Corp.	Canada	Biotechnology	100%	Nil
National Access Pharmacy Corp	Canada	Biotechnology	100%	Nil
Northern Vine Canada Inc. ("Northern Vine")	Canada	Biotechnology	100%	100%
Phytalytics LLC	United States	Biotechnology	51%	Nil

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.

**Basis of presentation**

These unaudited 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 unaudited 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.

**Presentation and functional currency**

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



**Abattis Bioceuticals Corp.**

**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

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

**Significant accounting estimates and judgments**

The preparation of unaudited condensed consolidated interim 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.

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 unaudited 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.

**Significant accounting policies**

The accounting policies applied in the preparation of these unaudited 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.

**Adoption of new and revised standards**

The following standards are adopted by the Company for year ended September 30, 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")

**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")

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

**3. BUSINESS COMBINATION**

On April 7, 2014, the Company acquired a 51% membership interest in Phytalytics LLC. by making cash payment of US\$20,000 (\$22,196) to Phytalytics LLC.

In addition, the Company also issued 827,657 common shares to consultants of Phytalytics LLC. with a fair value of \$579,360. This fair value of the shares issued had been classified as compensation to the consultants in the future periods.

The transaction has been accounted for as a business combination by the purchase method, with the Company identified as the acquirer. The Company's unaudited condensed consolidated interim statements of loss and comprehensive loss include the operating results of Phytalytic LLC. from April 7, 2014, the date of acquisition.

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Cash	\$	85,234
Property and equipment		860
Non-controlling interest		(42,186)
<b>Total net assets acquired</b>	<b>\$</b>	<b>43,908</b>
<b>Consideration paid:</b>		
- Cash (USD 20,000)	\$	22,196

For all of the acquisitions of Phytalytics, the Company is still in the process of determining the fair value of the acquired intangible assets in order to complete the allocation of the purchase price between goodwill (bargain purchase) and acquired intangible assets. The allocation process is expected to be completed by September 30, 2014. The Company initially recognized \$21,712 bargain purchase in the unaudited condensed consolidated interim statements of loss and comprehensive loss at the acquisition date.

**4. TERM DEPOSITS**

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

**5. ACCOUNTS RECEIVABLE**

		<b>June 30, 2014</b>		September 30, 2013
<b>Trade receivable</b>	<b>\$</b>	<b>44,126</b>	<b>\$</b>	-
<b>GST receivable</b>		<b>71,889</b>		26,763
	<b>\$</b>	<b>116,015</b>	<b>\$</b>	26,763

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

**6. PROPERTY AND EQUIPMENT**

	Computer equipment	Office equipment	Plant equipment	Leasehold improvement	Total
<b>Cost</b>					
As at September 30, 2013	\$ 2,047	\$ 14,792	\$ 440,000	\$ 47,463	\$ 504,302
Additions	-	60,191	86,640	7,549	154,380
<b>Balance as at June 30, 2014</b>	<b>\$ 2,047</b>	<b>\$ 74,983</b>	<b>\$ 526,640</b>	<b>\$ 55,012</b>	<b>\$ 658,682</b>
<b>Depreciation</b>					
As at September 30, 2013	\$ (1,194)	\$ (4,829)	\$ (14,310)	\$ (2,673)	\$ (23,006)
Charged for the period	(192)	(4,514)	(13,146)	(1,874)	(19,726)
<b>Balance as at June 30, 2014</b>	<b>\$ (1,386)</b>	<b>\$ (9,343)</b>	<b>\$ (27,456)</b>	<b>\$ (4,547)</b>	<b>\$ (42,732)</b>
<b>Net book value</b>					
As at September 30, 2013	\$ 853	\$ 9,963	\$ 425,690	\$ 44,790	\$ 481,296
<b>As at June 30, 2014</b>	<b>\$ 661</b>	<b>\$ 65,640</b>	<b>\$ 499,184</b>	<b>\$ 50,465</b>	<b>\$ 615,950</b>

**7. INTANGIBLE ASSETS**

	Patents	Formulae	Licenses	Total
<b>Cost</b>				
As at September 30, 2013	\$ 250,000	\$ 328,000	\$ 616,331	\$ 1,194,331
Additions	2,000	257,840	21,171	281,011
<b>Balance as at June 30, 2014</b>	<b>\$ 252,000</b>	<b>\$ 585,840</b>	<b>\$ 637,502</b>	<b>\$ 1,475,342</b>
<b>Amortization</b>				
As at September 30, 2013	\$ (60,512)	\$ (32,175)	\$ (27,483)	\$ (120,170)
Charged for the period	(9,400)	(16,847)	(23,466)	(49,713)
<b>Balance as at June 30, 2014</b>	<b>\$ (69,912)</b>	<b>\$ (49,022)</b>	<b>\$ (50,949)</b>	<b>\$ (169,883)</b>
<b>Net book value</b>				
As at September 30, 2013	\$ 189,488	\$ 295,825	\$ 588,848	\$ 1,074,161
<b>As at June 30, 2014</b>	<b>\$ 182,088</b>	<b>\$ 536,818</b>	<b>\$ 586,553</b>	<b>\$ 1,305,459</b>

**8. INVESTMENT IN ASSOICATES**

On April 10, 2014, the Company through its wholly owned subsidiary, Northern Vine, entered into a share exchange agreement with Experion. Pursuant to the terms of the agreement, Experion and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares. The Company maintains a 75% ownership in Northern Vine.

April 30, 2014, the Company through its wholly owned subsidiary, Abattis Bioceuticals International Inc., is acquired 34% interest in Instant Payment Systems LLC (IPS), a US entity based in Washington State, in consideration for \$100,000 cash payments and 200,000 common shares of the Company with a fair value of \$180,000.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

**9. TRADE AND OTHER PAYABLES**

	June 30, 2014	September 30, 2013
Trade payables	\$ 222,570	\$ 238,956
Accrued liabilities	214,229	179,472
Due to related parties	255,018	306,363
Payroll liabilities	631	2,819
	<b>\$ 692,448</b>	<b>\$ 727,610</b>

**10. SHORT-TERM LOANS****Loan from Chief Executive Officer**

	Principle	Interest	Total
Balance as at September 30, 2013	\$ 290,159	\$ 34,689	\$ 324,848
Additions	1,550	8,726	10,276
Repayment	(291,709)	(43,415)	(335,124)
Balance as at June 30, 2014	\$ -	\$ -	\$ -

During the year ended September 30, 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 nine months ended June 30, 2014, an additional \$1,550 in operating cash was advanced by the CEO of the Company without interest. During the nine months ended June 30, 2014, 8,726 (June 30, 2014 – \$6,477) in interest was accrued as interest payable.

During the nine months ended June 30, 2014, the Company repaid the loan from Chief Executive Officer in the amount of \$335,124 which included accrued interest of \$43,415.

**11. 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 nine months ended June 30, 2014, no fund were repaid by the Company.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**12. SHARE CAPITAL****Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

At June 30, 2014, there were 62,759,856 issued and fully paid common shares (September 30, 2013 – 28,584,094).

**During the nine months ended June 30, 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.
- 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 worldwide 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 \$579,360 to consultants of Phytalytics LLC. (Note 3)
- 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.

**Abattis Bioceuticals Corp.**

**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

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**12. SHARE CAPITAL (continued)**

**Issued share capital (continued)**

During the nine months ended June 30, 2014 (continued):

- 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 (\$69,172).
- On April 30, 2014, the Company issued 200,000 common shares of the Company with a fair value of \$180,000 to acquire 34% interest in Instant Payment Systems LLC (IPS) (Note 8).
- On June 19, 2014, the Company issued 100,000 common shares with fair value of \$38,000 to two directors for the consulting services provided.
- During the nine months ended June 30, 2014, the Company issued 69,334 common shares with a deemed value of US\$50,000 (\$54,698) to TDM Financial for investor relations services provided to the Company.
- During the nine months ended June 30, 2014, 2,071,000 options were exercised for proceeds of \$349,040. A fair value of \$182,232 was transferred to share capital from reserves in connection with this exercise.
- During the nine months ended June 30, 2014, 7,481,000 warrants were exercised for proceeds of \$973,250. A fair value of \$319,394 was transferred to share capital from reserves in connection with this exercise.

During the nine months ended June 30, 2013:

- 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 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. Cash share issuance costs of \$4,400 were incurred.
- 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 \$360,000 as consideration to acquire the exclusive, worldwide rights to a patent license from Vertical Designs Ltd.
- 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.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**12. SHARE CAPITAL (continued)****Issued share capital (continued)***During the nine months ended June 30, 2013 (continued):*

- 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 \$18,998.
- On March 13, 2013, 100,000 options were exercised at an exercise price of \$0.10 per warrant 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 formulas 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 \$71,875 to settle a trade payable of \$50,000.

**Share purchase warrants**

The changes in warrants during the nine months ended June 30, 2014 are as follows:

	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
<b>Balance, September 30, 2013</b>	<b>4,570,000</b>	<b>\$ 0.20</b>
Granted	11,333,331	0.29
Exercised	(7,481,000)	0.13
<b>Balance, June 30, 2014</b>	<b>8,422,331</b>	<b>\$ 0.38</b>

The following summarizes information about stock options outstanding and exercisable at June 30, 2014:

<b>Expiry date</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Estimated grant date fair value</b>	<b>Weighted average remaining contractual life (in years)</b>
February 14, 2015	1,700,000	\$ 0.100	\$ 34,839	0.63
September 18, 2015	5,333,331	0.500	1,083,005	1.22
October 7, 2015	1,389,000	0.250	280,678	1.27
	<b>8,422,331</b>		<b>\$ 1,398,522</b>	<b>1.11</b>

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**12. SHARE CAPITAL (continued)****Stock 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.

The changes in options during the nine months ended June 30, 2014 are as follows:

	Number outstanding	Weighted average exercise price
Balance, September 30, 2013	2,575,000	\$ 0.17
Granted	5,619,100	1.05
Exercised	(2,071,000)	0.17
Expired	(3,218,100)	1.64
Balance, June 30, 2014	2,905,000	\$ 0.24

The following summarizes information about stock options outstanding and exercisable at June 30, 2014:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
May 12, 2016	660,000	660,000	\$ 0.35	\$ 189,050	1.87
December 24, 2017	450,000	450,000	\$ 0.10	16,787	3.49
December 28, 2017	20,000	20,000	\$ 0.10	1,635	3.50
January 16, 2019	250,000	250,000	\$ 0.10	16,556	4.55
January 29, 2019	300,000	300,000	\$ 0.12	16,731	4.59
February 18, 2019	475,000	475,000	\$ 0.17	50,239	4.64
February 26, 2019	110,000	110,000	\$ 0.26	13,869	4.66
February 27, 2019	200,000	200,000	\$ 0.36	36,614	4.67
March 4, 2019	440,000	440,000	\$ 0.45	103,040	4.68
	2,905,000	2,905,000		\$ 444,521	3.82



**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**12. SHARE CAPITAL (continued)****Share-based payments**

The estimated grant date fair value of the options granted during the nine months ended June 30, 2014 and 2013 was calculated using the Black-Scholes option pricing model with the following assumptions:

	For the nine months ended	
	June 30, 2014	June 30, 2013
Share price	\$ 0.96	\$ 0.07
Exercise price	\$ 1.10	\$ 0.15
Risk-free interest rate:	1.36%	1.17%
Estimated Volatility:	116%	118%
Expected lives:	3.72	5.00
Expected dividend yield	0%	0.00%

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.

During the nine months ended June 30, 2014, the Company granted 5,619,000 (June 30, 2013 – 2,290,000) to certain directors, officers and consultants with fair value of \$4,915,287 (June 30, 2013 – \$131,429) which was recognized as share-based payments during the nine months June 30, 2014 (June 30, 2013 – \$128,631).

The Company cancelled 2,613,100 options which were granted during the nine months with a fair value of \$4,527,003.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>For the nine months ended</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Shares issued for acquisition of assets	\$ 270,700	\$ 578,000
Shares issued for acquisition of Instant Payment Systems LLC	180,000	-
Shares issued for prepayment	579,360	25,000
Shares issued for settlement of trade payable	397,922	241,533
Shares issued for investor relations services	54,698	-
Shares issued for consulting fees	38,000	-
Transfer from warrants reserve to share capital on exercise of warrants	319,394	-
Transfer to warrants reserve fair value of warrants issued on private placement	1,205,976	-
Transfer from warrants reserve to share capital on the expired warrants	-	94,514
Transfer from equity settled share based payments reserve to share capital on exercise of options	183,232	3,730
Transfer from equity settled share based payments reserve to deficit of the cancelled options	4,594,021	43,387

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**14. RELATED PARTY TRANSACTIONS****Management transactions**

Management transactions with related parties during the nine months ended June 30, 2014 and 2013 were as follows:

	For the nine months ended June 30, 2014			For the nine months ended			For the nine months ended		
	Short-term	Share-based	Total	Short-term	Share-based	Total	Short-term	Share-based	Total
	employee benefits	compensation		employee benefits	compensation		employee benefits	compensation	
Mike Withrow (i)	\$ 140,588	\$ 2,316,378	\$ 2,456,966	\$ 105,000	\$ 14,549	\$ 119,549			
Rene David (ii)	85,029	730,841	815,870	-	-	-			
	\$ 225,617	\$ 3,047,219	\$ 3,272,836	\$ 105,000	\$ 14,549	\$ 119,549			

- i. Mike Withrow is the President and CEO of the Company. During the nine months ended June 30, 2014, 1,650,000 stock options (June 30, 2013 – 390,000), with an estimated fair value of \$2,316,378 (June 30, 2013 – \$14,549) were granted by the Company to Mr. Withrow and Chiron Capital Inc., a company controlled by Mr. Withrow. During the nine months ended June 30, 2014, 5,000,000 common shares (June 30, 2013 – 747,500), with an estimated fair value of \$297,500 (June 30, 2013 – \$97,600), were issued by the Company to Mr. Withrow to settle a trade payable of \$180,000 (June 30, 2013 – \$68,988). During the nine months ended June 30, 2014, 390,000 options were exercised by Mr. Withrow. As at June 30, 2014, \$37,108 due to Mr. Withrow was included in trade and other payables (September 30, 2013 – \$142,344).
- ii. Rene David is the Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") of the Company. During nine months ended June 30, 2014, 1,130,000 (June 30, 2013 – nil) stock options with an estimated fair value of \$730,841 (June 30, 2014 – \$nil) were granted by the Company to Crimson Opportunities Ltd., a company controlled by Mr. David. During the nine months ended June 30, 2014, 625,000 common shares (June 30, 2014 - nil), with an estimated fair value of \$31,250 (June 30, 2014 – \$nil) were issued by the Company to Crimson Opportunities Ltd. to settle a trade payable of \$31,250 (June 30, 2014 – \$nil). At June 30, 2014, \$12,592 due to Mr. David and Crimson Opportunities Ltd. was included in trade and other payables (September 30, 2013 – \$nil).

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.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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**14. RELATED PARTY TRANSACTIONS****Directors' transactions**

	For the nine months ended June 30, 2014			For the nine months ended For the nine months ended		
	Consulting fees	Share-based compensation	Total	Consulting fees	Share-based compensation	Total
Terence Fealey (i)	\$ 69,332	\$ -	\$ 69,332	\$ 72,885	\$ 2,798	\$ 75,683
	\$ 69,332	\$ -	\$ 69,332	\$ 72,885	\$ 2,798	\$ 75,683

- i. Mr. Fealey is a director of the Company. During the nine months ended June 30, 2014, nil stock options (June 30, 2013 – 75,000, with an estimated fair value of \$2,798) were granted by the Company to Mr. Fealey. At June 30, 2014, \$190,857 due to Mr. Fealey was included in trade and other payables (September 30, 2013 – \$118,302).
- ii. During the nine months ended June 30, 2014, a law firm, of which a director is a one third partner, provided legal services totaling \$38,016 (June 30, 2013 – \$23,688) to the Company. During the nine months ended June 30, 2014, 43,400 common shares (June 30, 2014 - nil), with a deemed value of \$69,172 (June 30, 2014 – \$nil) were issued by the Company to Dunlap Coddling, a law firm controlled by the director of the Company, to settle a trade payable of \$69,172 (June 30, 2014 – \$nil). At June 30, 2014, \$14,461 (September 30, 2013 – \$45,717) due to this law firm was included in trade and other payables.
- iii. During the nine months ended June 30, 2014, the Company issued 100,000 common shares with fair value of \$38,000 to two directors for the consulting services provided.
- iv. During the nine months ended June 30, 2014, 450,000 share purchase options (June 30, 2014 – 480,000) with an estimated fair value of \$894,879 (June 30, 2014 – \$32,965) were granted to other directors of the Company.
- v. During the nine months ended June 30, 2014, 75,000 options with an exercise price of \$0.10 were exercised by the directors.
- vi. During the nine months ended June 30, 2014, 2,636,100 options granted to certain officers and directors of the Company were cancelled.
- vii. Subsequent to June 30, 2014, the Company granted 1,980,000 stock options to certain of its directors and officers, with each option being exercisable into a common share of the Company at \$0.64 per share for a period of five years (See note 19).

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**15. 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:

<b>Year</b>		
<b>2014</b>	<b>\$</b>	<b>11,271</b>
<b>2015</b>		<b>27,772</b>
	<b>\$</b>	<b>39,043</b>

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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**15. COMMITMENTS (continued)**

- 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 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).

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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**15. COMMITMENTS (continued)**

- 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.
- 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 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.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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**16. 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 the year ended September 30, 2013 and nine months ended June 30, 2014, four claims were pending against the Company. These claims are outstanding as at June 30, 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.

**17. 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.



**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

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(Expressed in Canadian Dollars)

**18. FINANCIAL INSTRUMENTS**

In accordance with IFRS, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Cash, term deposits and marketable securities are designated as held-for-trading and their carrying value approximates fair value as they are cash or they are readily convertible into cash in the normal course. Trade and other receivable are classified as loans and receivables. Deposits are classified as held-to-maturity. Their carrying value approximates fair value due to their limited time to maturity and ability to convert them to cash in the normal course of business. Trade payable and accrued liabilities and advanced payable are classified as other financial liabilities. Their carrying values also approximate fair value due to their short term maturities.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

- Level 1 quoted prices 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. from derived prices); and
- Level 3 inputs for the asset or liability that are not based upon observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At June 30, 2014, cash of \$625,481 (September 30, 2013 – \$5,327), term deposits of \$1,895,000 (September 30, 2013 – \$nil) and marketable securities of \$200,000 (September 30, 2013 – \$nil) have been measured and recognized in the balance sheet using Level 1 inputs. At June 30, 2014 and September 30, 2013, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

**19. EVENTS AFTER THE REPORTING DATE**

Subsequent to June 30, 2014:

- On July 22, 2014, the Company granted 2,438,100 stock options to certain of its directors, officers and consultants, with each option being exercisable into a common share of the Company at \$0.64 per share for a period of five years.
- On August 1, 2014, 33,333 common shares issued with a deemed value of \$14,000 for consulting services.
- On August 1, 2014, 24,000 common shares issued to Brazos Minshew, the President of BioCell Labs.

**Abattis Bioceuticals Corp.****Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**

For the three and nine months ended June 30, 2014

(Expressed in Canadian Dollars)

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**19. EVENTS AFTER THE REPORTING DATE (continued)**

- On August 5, 2014, the Company entered into a US\$5 million Standby equity financing agreement with Kodiak Capital Group, LLC ("Kodiak"), a Newport Beach, CA-based institutional investor. The Company has agreed to file a registration statement with the U.S. Securities and Exchange Commission ("SEC") covering the Abattis shares that may be issued to Kodiak under this financing. After the SEC has declared the registration statement related to the transaction effective, the Company has the right at its sole discretion over a period of one year to sell up to US\$5 million of common shares to Kodiak. The Company has agreed to pay Kodiak a 5% commitment fee in shares. Of these shares, 277,373 shares shall be held in escrow in accordance with an escrow agreement. The Company plans to access and use these funds in the event of an acquisition opportunity and for expansion in the US. On August 5, 2014, 24,000 shares were issued to Kodiak.
- On August 13, 2014, the Company granted 455,000 stock options to certain of its directors, officers and consultants, with each option being exercisable into a common share of the Company at \$0.43 per share for a period of five years.
- 1,060,000 options were exercised for proceeds of \$196,600.
- 468,500 warrants were exercised for proceeds of \$78,375.
- 97,240 common shares issued with a deemed value of US\$50,000 to TDM Financial for investor relations services provided to the Company.